

PUBLIC

# Practical Approaches to Meeting the Increasingly Granular Line-by-Line Regulatory Reporting Expectations

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## Introduction

HSBC



- ◆ 66 countries and territories
- ◆ >39 million customers
- ◆ 235k employees
- ◆ Q1 19:
  - ◆ CET 1 14.3%
  - ◆ Revenue: \$14.4bn (\$54bn on year)
  - ◆ Profit after tax: \$4.9bn

Me

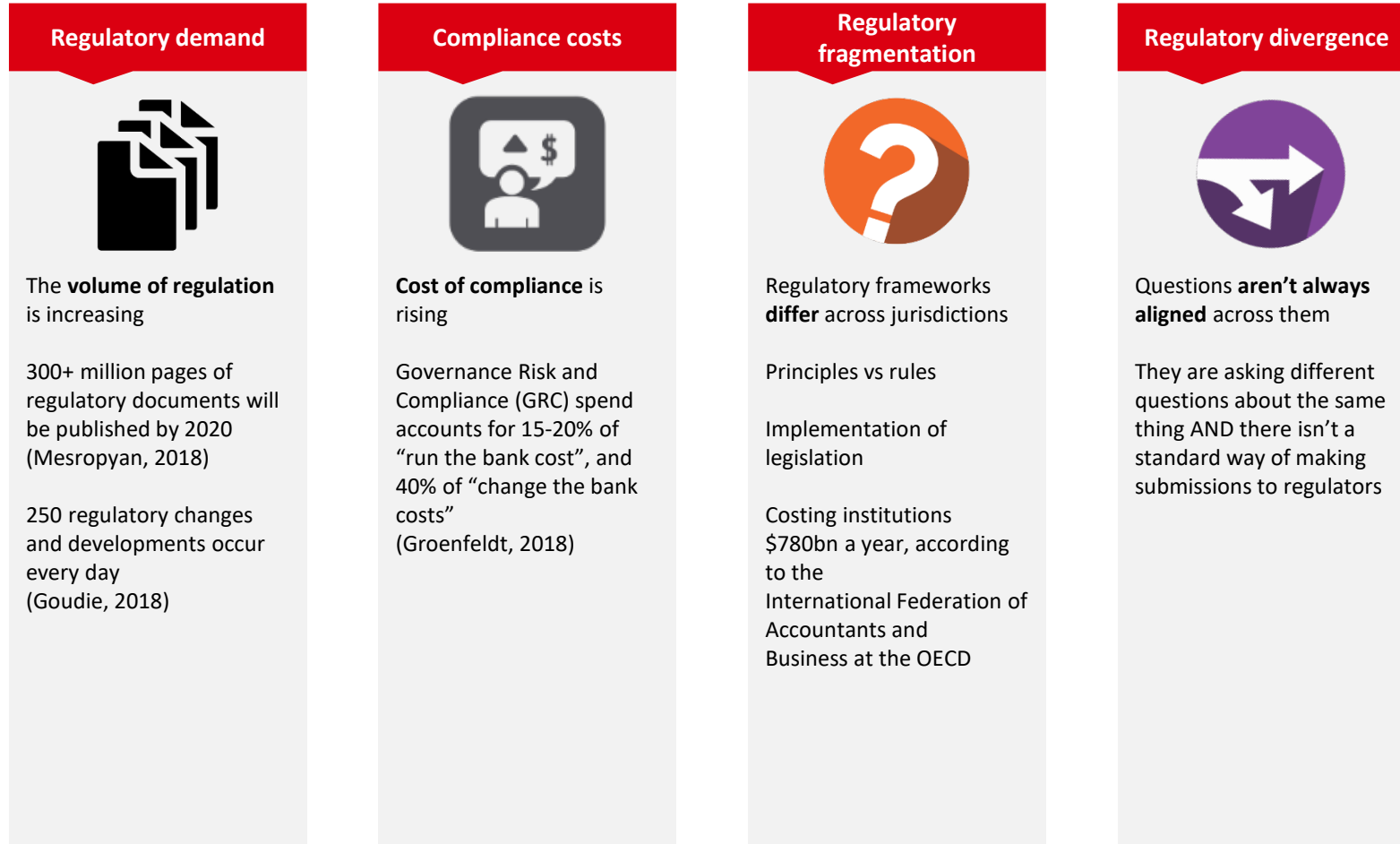


- ◆ 15 years in transformation (last 10 in FSIs)
- ◆ Global Head of Risk Data Transformation (Interim)
- ◆ BCBS 239, ICAAP, Basel 3 Reforms (Basel 4)

It's quite a complex bank!

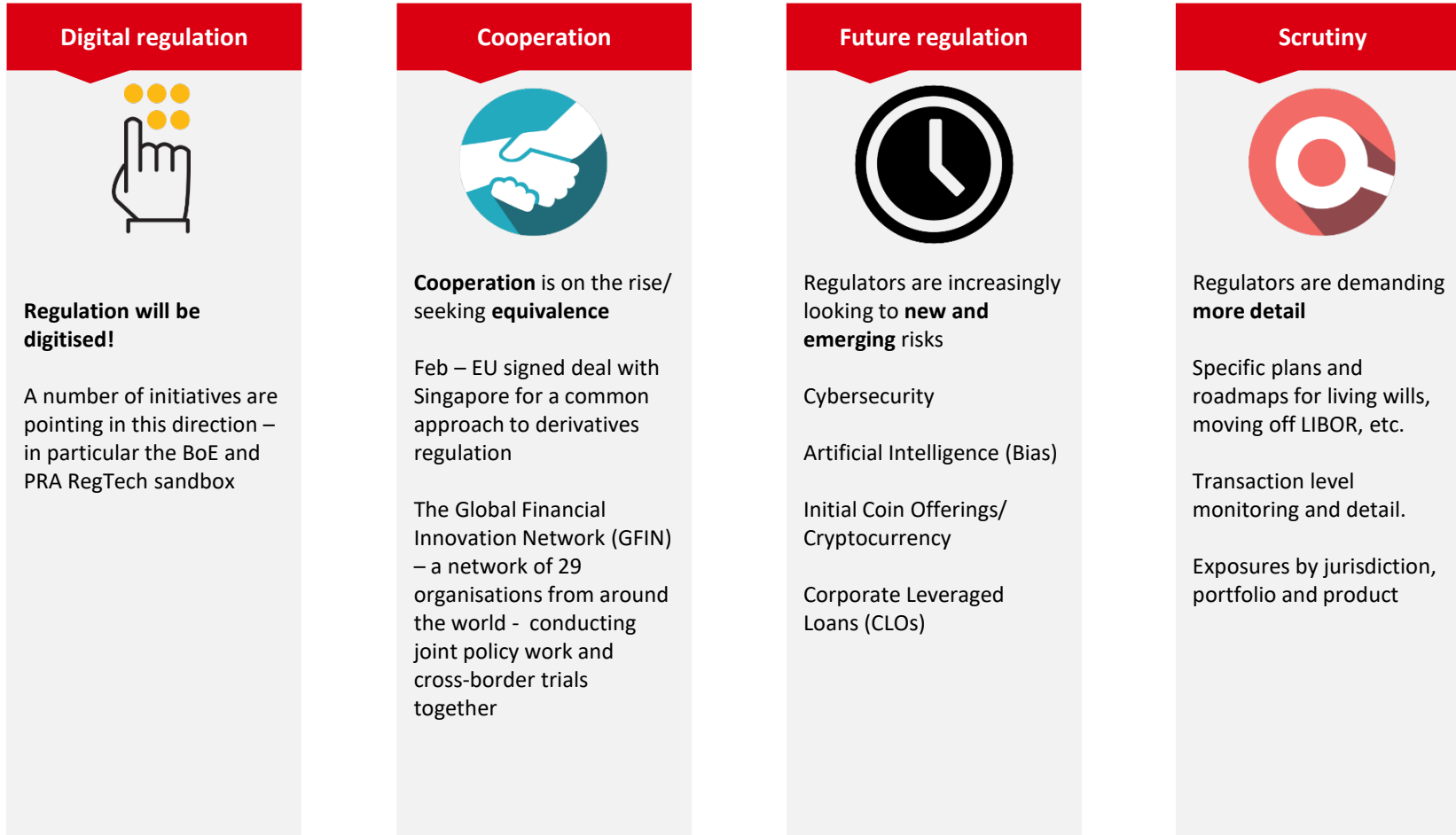


## Challenges



It's proving **difficult** to provide standardized regulatory reporting

## Where are the regulators going?



All this means that we need to become a lot more agile, open and data driven!

## A case study: BCBS 239

### In brief



*One of the most significant lessons learned from the global financial crisis that began in 2007 was that **banks' information technology (IT) and data architectures were inadequate** to support the broad management of financial risks.*

Opening paragraph: Principles for effective risk data aggregation and risk reporting, *Bank for International Settlements 2013*

It's about ensuring that there is **trust in the data** used to support risk management metrics and that **governance and infrastructure** can support you in both **normal and non-normal times**

11 Principles and 87 paragraphs linked to timeliness, accuracy, completeness and adaptability

### Our challenges



Compliance across **22 countries, 4 businesses** and **9 risk types** covering risk and finance



After single regulator oversight... now have requests from **multiple regulatory bodies** including: OCC (U.S.), OFSI (Canada), PRA (UK), ECB (Germany and Malta), SAARB (South Africa), CBRC (China), HKMA (Hong Kong), Bank of Negara (Malaysia) and MAS (Singapore)



Regulators want to know **compliance against each paragraph** at the Group, region, country, risk type and business line levels



Regulators wanted us to answer questions about our compliance state at **different points in time**



They would structure their tests in **varying ways** and sometimes they be prescriptive on how the answers should be provided



Existing process for collation and response **was highly manual** (spreadsheet and email based)

## A case study: BCBS 239

### Our strategy

To deliver a single platform to capture rules, evidence and scores

### What we did?

- We produced a standard **interpretation** of the paragraphs and specified the evidence criteria
- We devised a **single rating system** of compliance using the PRA scale
- Agreed** with our 3LoD and communicated to our regulator
- Deployed a single **Regtech platform** and operationalised

### Benefits

- Every regulator got the exact **same view of compliance**
- We can **respond timely** to internal requests, specify gaps and remediation efforts
- We are now able to map out criteria to other internal and external requirements. Our **Data Management policy** is covered by circa. **80%** of our compliance statements

### Next steps

- Scale** this out across the regulatory reporting landscape
- Digitize** regulation as we know that this is where regulators want to be
- Carefully innovate** – NLP, text analytics

Rating Summary (UAT)

Overall Rating  
3.74 ▼ 8.00

As of Date  
31/03/2019

Compliance Framework  
BCBS 239

RWA Weighting  
Yes No

Rating Rounding  
Yes No

Business Area

Region

Country

Legal Entity

Principle

Paragraph

Compliance Statement

Result Origin

Rating by GRI/ISE/Rule-function

	0 1	0 2	0 3	0 4	0 5	0 6	0 7	0 8	0 9	0 10	0 11	0 12	0 13	0 14	0 15	0 16	0 17	0 18	0 19	0 20	0 21	0 22
Overall	3.96	3.35	3.31	3.27	3.26	3.26	3.26	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27
0 CMB	3.96	3.35	3.31	3.27	3.26	3.26	3.26	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27
0 Finance	3.96	3.35	3.31	3.27	3.26	3.26	3.26	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27
0 GRI	3.96	3.35	3.31	3.27	3.26	3.26	3.26	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27
0 HSW	3.96	3.35	3.31	3.27	3.26	3.26	3.26	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27
0 Risk	3.96	3.35	3.31	3.27	3.26	3.26	3.26	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27

Rating by Region/Country/Legal Entity

	0 1	0 2	0 3	0 4	0 5	0 6	0 7	0 8	0 9	0 10	0 11	0 12	0 13	0 14	0 15	0 16	0 17	0 18	0 19	0 20	0 21	0 22
Overall	3.96	3.35	3.31	3.27	3.26	3.26	3.26	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27
0 Asia Pacific	3.96	3.35	3.31	3.27	3.26	3.26	3.26	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27
0 Europe	3.96	3.35	3.31	3.27	3.26	3.26	3.26	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27
0 Middle East and North Africa	3.96	3.35	3.31	3.27	3.26	3.26	3.26	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27
0 North America	3.96	3.35	3.31	3.27	3.26	3.26	3.26	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27	3.27

Compliance Statement  
Compliance Statement: 1.1

## In summary

- Volume, cost, fragmentation are on the rise
- Regulators are going digital, are innovating more and applying more scrutiny
- We must be open, agile and data-led
- Focus on creating a standard framework for regulatory interpretation and scoring
- Seek opportunity from scaling across more than one regulation
- Stay close to your regulators:
  - Be transparent about your methods and take opportunities to solicit feedback
  - Take part in sandboxes and other initiatives where input is sought to determine test criteria



**Embrace innovation and technology but be pragmatic!**





Together we thrive

