

# Business process outsourcing in regulatory reporting

Joint Solution by Regnology and IBM Services



# Increasing regulatory requirements push banks to capacity limits

Financial institutions are struggling with ever-increasing regulatory requirements. New regulations such as AnaCredit as an entry point into granular reporting, the sheer volume of data to be processed — which must be submitted in numerous reports monthly or quarterly to the supervisory authorities — as well as tight deadlines, threaten to exceed the capacity of the institutions. The crucial challenge is to strike a balance between effort, costs and risk.

## Operative Effort

Greater resource requirements for:

- Providing data to the delivery interface for the reporting software
- Responding to the constant, on-going queries posed by supervisory authorities (e.g. cross-check validation, etc.)
- Responding to one-time queries posed by supervisory authorities
- Significant manual processing effort that must be expended due to limited automation

## Operative Costs

High costs due to:

- High complexity of regulatory requirements
- Ongoing change projects due to changes in existing regulations and new regulatory requirements
- A lack of standardization and harmonization, which in turn leads to limited re-use and no use of economies of scale

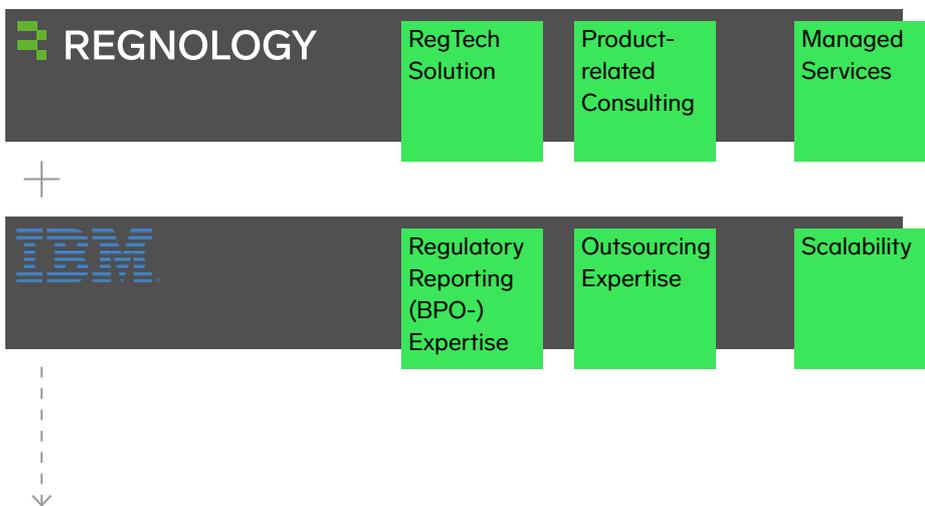
## Operative Risk

Risks posed due to:

- Limited qualified resources, high dependency on very few specialists
- Tying up too much workforce for report creation, too little time for quality improvement and taking account of regulatory data in bank governance processes
- Analysis and implementation of relevant new guidelines and compliance documentation
- Lack of transparency of the regulatory reporting process

# Mastering challenges using the Regnology and IBM solution

With their joint solution Regnology and IBM address the challenges that financial institutions face in regulatory reporting. The solution enables financial institutions to outsource their regulatory reporting processes, including both outsourcing specialized processes and technical operations as well as software maintenance and further development.



## One-stop solution — outsourcing regulatory reporting

- Coverage of the regulatory value chain from software solution through managed services to the operative processing of regulatory reporting for the German market
- Solution based on standard software, that facilitates economies of scale
- Enough flexibility to adapt to client specific requirements
- Development and support by expert teams with many years of experience in the financial sector

## Steps 1 and 2: Streamline regulatory reporting using software & managed services provided by Regnology

The technical basis of the BPO solution is Regnology's Abacus platform, an established standard software for national and international regulatory reporting, statistical reporting, granular reporting (AnaCredit) and ad-hoc reporting.

In addition to the standard software, Regnology offers a comprehensive, modular managed services solution. This includes:

- Infrastructure services, e.g. provision of a certified data center, provision of the infrastructure (hardware, system software) as well as the installation and configuration of the system components
- Application management, including providing/installing software modules, developing test and production systems, user help desk/support and revision of technical documentation
- Application support, such as processes in the field of data delivery, processing and message creation as well as master data maintenance and preparation of standard reports

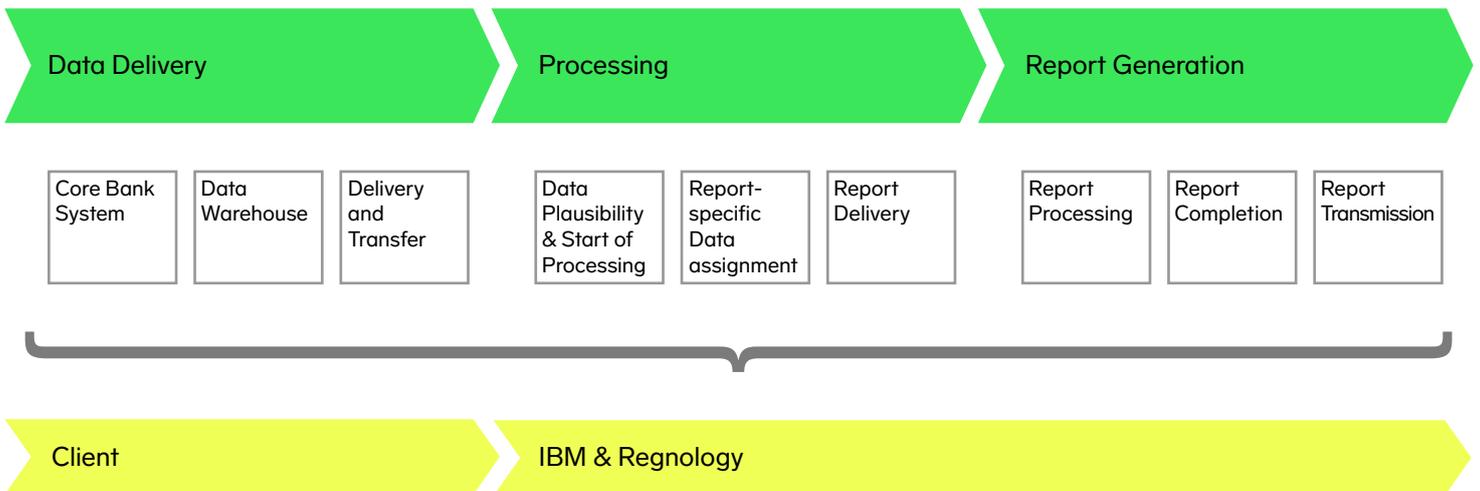


Regnology  
Renowned financial institutions representing around 800 reporting entities, among them a major part of the most important European banks under direct SSM supervision and many other financial service providers use ABACUS/DaVinci and the new software generation Abacus360 Banking Regulatory.

# Step 3: Handing regulatory reporting over to IBM as an experienced partner—adopting message creation & submission

After receiving the data from the client and processing the data in Abacus, IBM prepares the regulatory reports and submits them to the Extranet of the German Bundesbank. In this process, the client takes care of the report release. In case additional process descriptions are required those must be agreed upon per case.

**IBM**  
 IBM has an operational reporting team of specialists and provides professional reporting for several clients. In 2017, Erste Financial Services GmbH (EFS) of Düsseldorf, a service provider for the provision of back-office and IT services to the financial industry, which also includes the successors of WestLB, outsourced most of its business processes to IBM Deutschland GmbH. This involved the acquisition of numerous EFS experts by IBM.



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## IBM's scope of regulatory reporting covers the following topics:

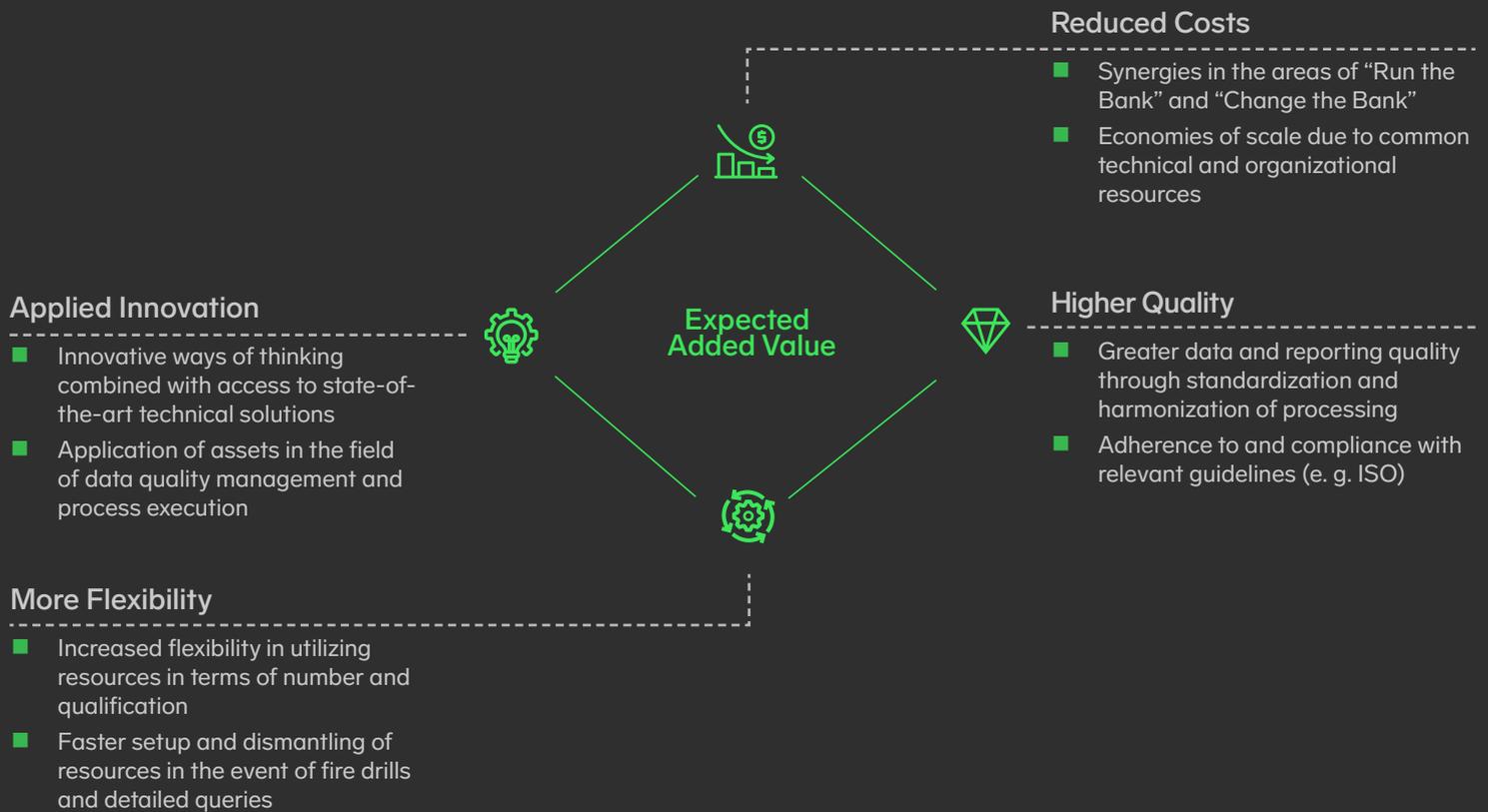
- **Bank Statistical Reporting**  
Balance sheet statistics (BISTA), foreign status, borrower statistics, MFI interest rate statistics, notifications according to Foreign Trade Ordinance (AWG/AWV), notifications acc. Financial and risk-bearing capacity information regulation (FinaRisikoV), financial information according to FinRep, etc.
- **Credit Reports & Institutional Credits**  
Large Exposure reports pursuant to Art. 387 et seq. CRR, million loan reports pursuant to § 14 Banking Act (KWG), support in forming/maintaining borrower units pursuant to § 19 para. 2 Banking Act and groups of connected clients (GCC) pursuant to Art. 4 para. 1 no. 39 CRR, credit data statistics AnaCredit (Analytical Credit Datasets) according to AnaCredit Regulation, institutional credits according to § 15 KWG, etc.
- **Capital Requirements Regulation/Solvency Regulation (CRR/SolvV) Reporting**  
Own Funds Reporting, Leverage Ratio and Asset Encumbrance, Money Market Statistics, Basel Interest Rate Risk Coefficients, Association Reporting, EU Deposit Insurance, FED Reporting, Disclosure, Maintenance of Regulatory Scope of Consolidation, etc.
- **Liquidity Reports**  
Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR), Additional Monitoring Metrics (AMM), etc.
- **Other Services**  
Assistance for participation reports (acc. to § 24 Banking Act), assistance/guidance for the finance department when preparing annual financial statements and audit documents, preparation and interpretation of supervisory standards, advice on supervisory aspects in the development and mapping of products and transactions, supervision of the new product processes, assistance during the implementation of supervisory and client-driven changes in regulatory reporting, etc.

Other reports not mentioned here can become part of the contract. Feel free to contact us.

Even according to the MaRisk amendment, the reporting process may be outsourced. The final process responsibility and the formal release of the reports remain with the client. By relieving the client of the technical preparation, the institution is free to concentrate on its core competencies, such as risk analysis and the strategic development of its business.

# Winning using business process outsourcing in regulatory reporting

Financial institutions are under pressure in two ways — they need to preserve their ability to report while limiting costs in an increasingly volatile, uncertain and complex environment. Here, alternative sourcing approaches can provide added value in terms of potential cost reductions as well as improvements in terms of flexibility, quality and innovation.



We see a growing demand for BPO services in regulatory reporting as it becomes increasingly difficult for financial institutions to meet supervisory, workforce, financial and risk management requirements.

## About Regnology

Regnology is a leading international provider of innovative regulatory and supervisory technology solutions (RegTech and SupTech), of AEOI and tax reporting products, as well as of services along the Regulatory Value Chain for financial services. Regnology has been a partner for banks and regulators for 25 years. Until the end of 2020, the company was part of BearingPoint group and operated under the name BearingPoint RegTech. Since the sale of the RegTech business to private equity firm Nordic Capital, the company has been independent. In June 2021, the company joined forces with Vizor Software and recently changed its name to Regnology. In total, Regnology serves more than 7,000 financial services firms with reporting solutions. At the same time, the company enables more than 50 regulators and tax authorities on five continents to collect data from 34,000 firms in 60 countries. Regnology has a total workforce of over 770 employees at 17 office locations in 12 countries.

More information:  
[www.regnology.net](http://www.regnology.net)

## About IBM

To help companies of all sizes transform their business models digitally and harness the power of digitalization, IBM focuses on growth initiatives, business analytics, cloud computing, blockchain, and security. These strategic fields provide IBM with both the foundation of their ever-expanding solution portfolio and the foundation of their ongoing transformation to becoming an AI and cloud platform provider.

Our business, technology and industry experts help companies innovate to reduce costs and risks, ensure compliance, accelerate time-to-market, unlock new revenue streams and build a secure, reliable infrastructure for AI and the Hybrid Cloud.

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