

CAT Readiness: where does your firm stand?

THE KEYS TO SUCCESSFUL CAT IMPLEMENTATION

Regardless of the approach a firm is currently taking to comply with the Consolidated Audit Trail (CAT), a successful implementation ultimately depends on solution design. Meeting tight deadlines is just part of the challenge and initial cost of compliance. Establishing a solid foundation of standardized data, models and workflows – including but certainly not limited to the design and creation of Firm Designated IDs (FDID) – is imperative from the start to ensure the chosen CAT solution aligns tightly with business operations and strategic direction.

Beyond the perils of missing the deadline for CAT reporting, there are other risks inherent in choosing the wrong approach or solution set. A firm's chosen solution architecture will need to accommodate ongoing compliance and business change with minimal refactoring. Otherwise, a firm's CAT reporting solution will face the same fate as many of the G20-based Non-Financial Regulatory Reporting (NFRR) rollouts – solution replacement within months of go-live. Inevitable changes in scope and other details of CAT reporting means that solution architectures must be flexible enough to adapt.

The right approach to CAT readiness can help firms improve data management from the front to the back offices, create a more efficient regulatory reporting operation that handles regulatory requests and queries faster and with greater ease, and ultimately drive strategic business initiatives that unlock new revenue streams and competitive advantages.

Across the industry, firms find themselves in varied states of readiness to comply with CAT in time for the rollout. Along with the known challenges of CAT preparation and implementation, there are many opportunities for firms to capitalize on data consolidation and transparency while transforming their compliance and operations models to drive strategic business initiatives.

Four main approaches are now emerging across the CAT readiness lifecycle, each with its own unique set of critical decisions to make around goals and objectives in relation to current-state circumstances, and important questions to ask about vendors, data and workflows. These two aspects of CAT readiness then converge into a specific timeline that firms must follow to be truly ready for industry testing in Q4 2019.

FOUR MAIN APPROACHES TO CAT READINESS

1. Just starting

A firm's CAT implementation timeline greatly depends on the complexity of its existing system architecture. Firms who are just starting to evaluate their options for CAT reporting must first take a close look at their current-state model, analyze specific business requirements, and assess potential vendors and solutions.

Key Decisions to Make:

- Vendor capabilities for CAT reporting given the existing system infrastructure
- Whether or not data aggregation and linkages are needed to capture and reconcile data across multiple systems
- Establishing and adhering to a timeline meeting the reporting deadline

Top Questions to Ask:

- Can our existing vendors help us meet the CAT rollout deadline?
- Is there an opportunity to create a more robust regulatory reporting operation that will give us a return in the future?
- When do we need to make a decision on our approach?
- When should we start getting ready for implementation?

2. Working with existing vendor

Firms who currently use vendors for their transaction processing and OATS reporting must evaluate existing or planned capabilities for CAT reporting, rules, workflows and error-handling. Then, they must determine if additional tools or solutions may be needed to fill any functional or workflow gaps while meeting specific business operations requirements.

Key Decisions to Make:

- Utilizing or creating a data lake or a federated model to drive reporting from multiple systems
- Which system(s) or golden copy of data (OATS or CAT) should be used to create and validate rules and workflows for reporting
- Additional tools and solutions that may be needed to handle error identification and correction

Top Questions to Ask:

- Should we use a dual-rules approach by comparing OATS and CAT rules and output?
- How do we link across vendor systems?
- How do we validate the data coming from our vendor systems?
- What is the CAT portal going to offer in terms of error correction capabilities?

3. Operations transformation

Firms at this level of readiness use a process-driven approach to CAT which includes team consolidations, workflow models, and perhaps process model re-engineering to determine new approaches to implementation and data aggregation. A data lake may be a result, but is usually not the logical starting point of the initiative, since compliance is the main focus initially then later included the operations part of the business.

Key Decisions to Make:

- Creating and implementing initial data aggregation that drives new compliance and operations process models
- Establishing operational workflows with compliance overseeing rather than performing day-to-day error monitoring and correction

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- Potentially consolidating workflows and teams to achieve greater efficiency

Top Questions to Ask:

- What should the target operating model look like to make sure we have the proper visibility?
- Do we have, or should we have, a centralized regulatory reporting group to work off aggregated data?
- How should our various business units interact with the data?
- Is there an opportunity to transform our use of data and how we operate as a firm?

4. Front-office data lake

Firms taking a strategic, data-centric approach in the context of front-office data are consolidating data not only for the CAT implementation, but also for other regulatory and business purposes. At these firms, data aggregation and event linkages are mostly complete and in production today, but some firms have a few remaining decisions to make around rules and workflow implementation.

Key Decisions to Make:

- Implementing the proper data governance and management around aggregated data
- Ensuring efficient upstream data submission and quality on a continuous basis
- Setting up reporting using rules and workflows once linkages are established

Top Questions to Ask:

- How do we continue to use data aggregated for CAT for other regulatory or business purposes?
- Are we submitting all the data from source systems correctly?
- Are we able to validate and verify all the data?
- Who is responsible for data governance and quality?

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