IGNITES

Data Reporting Compliance Brings Business Opportunities

By Jill Gregorie May 15, 2017

Operations and compliance teams racing to prepare for new SEC reporting requirements that take effect next year may have headaches now, but shops that do it well stand to reap big rewards long-term.

“It’s a pretty beautiful horizon, if you can get the tree out of your vision,” says Chris Napoli, senior manager in the wealth and asset management practice at EY.

The rule, which the regulator made final late last year, dramatically increases the amount of data fund companies are required to report and changes the frequency with which they are required to do so.

With the first deadline for shops to meet these new requirements approaching June 2018, many fund shops have been prompted to build or improve the systems they use to store, report and analyze data.

That creates an opportunity to step back and think of the business opportunities they can gain with improved data systems, consultants say. A well-built data system can help fund shops identify areas of product demand they may be neglecting and can be used to attract new clients, they add.

“Build for the future, not for the rule,” says Whitfield Athey, CEO of **Delta Data** software. While the time and cost involved up front may be greater, it will prove to be a better investment long-term, he adds.

Richer data repositories can help reveal information impacting fund performance that may have been overlooked, says Napoli of EY. Mining that data to uncover otherwise hidden correlations may “present an opportunity to highlight a relationship that nobody else in the marketplace has thought of,” he says.

These systems can also reveal overly concentrated risks in managers’ investment portfolios, Napoli adds.

Providing comprehensive data reports to shops’ distribution, operations and investment teams can provide “better visibility into assets” and may trigger new business ideas, says David Bates, managing partner at Citisoft. Armed with such information, staff might see trends in product types or strategies that then yield ideas of how to adapt existing products to better cater to client needs or even develop new ones.

In addition to product development, a well-built data system can help asset managers demonstrate the value of their lineups to potential clients, Athey notes. With the help of these tools, firms can more effectively illustrate their allocation models, highlight successful track records and explain their decision-making around on liquidity classifications, he says.

Such presentations tell a more compelling story than simply describing a strategy as, for example, “European equity,” Athey adds.

Marketing departments can also benefit from the data troves these rules require shops to develop, by allowing them to parse portfolio information more quickly, Athey says. That speed is particularly valuable to institutional clients such as retirement plans that are now demanding customized product options, he adds.

“Responding to RFPs becomes easier when you have good access to track records and existing products,” Athey says.

The first step in developing reliable data systems is to ensure the information going in is “scrubbed” of duplicate entries or errors, says EY's Napoli. Executives may then want to sit down with the heads of accounting, finance, IT and other business units to discuss the quality controls to ensure the databases stay garbage-free.

During that discussion, the group should outline a plan for the different business groups that use the data to communicate trends they uncover through their analysis, Napoli adds. Such discussions can reveal opportunities and strategies that may help the firm “change your position in the marketplace,” he says. Investment teams may discover a way for the asset manager to support lower product costs, for example, which can allow it to compete in a different sector, he adds.

The SEC has shortened the typical reporting cycle for many disclosures from 60 to 45 days, but some firms are using their systems to bring that down to 30 so that they can work with the numbers on a more timely basis, says Todd Moyer, EVP of global business development, Confluence.

Strong systems can also help assuage the complications of dealing with regulators in different jurisdictions, he adds.

They can also act as a valuable preemptive measure for compliance.

Scanning through reporting systems can aid compliance officers in spotting anomalies that may indicate negligent behavior or misconduct, says EY's Napoli.

And it’s always better for the company to identify and address such issues before regulators find them, notes Athey.

“Who knows what regulatory hoop will come through next, but they’re definitely going to go after data.” he says.