

INSYS GROUP CASE STUDY: **Financial Regulation W**



INSYS Specialized Skillsets

Regulatory Framework

Regulatory Compliance

Process Auditing and
Documentation

Policy Design and
Development

Financial Services
Best Practices

Introduction

The Federal Reserve implemented Regulation W to limit certain transactions between financial institutions and their affiliates.

It mandated that credit extended to an affiliate bank must be secured, transactions with any one affiliate total no more than 10 percent of an institution's capital, and transactions to all affiliates no more than 20 percent. The purpose of Regulation W was to protect the bank from financial losses as a result of such transactions, and to limit the ability of the bank to transfer to its affiliates the subsidy gained from access to federal deposit insurance.

Enterprise-wide compliance with Regulation W has been a challenge for some institutions. The challenges stem from the significant growth in capital market activities, mounting pressure to improve transparency through compliance and operations, and increased numbers of mergers and acquisitions. At present, regulators are paying closer attention to Regulation W compliance than ever before, as their heightened focus on protecting depository institutions has led them to expect greater transparency from banks, particularly when it comes to legal entity management and intercompany transactions.

Business Challenges

Many businesses across a financial institution may participate in covered affiliate activities. Given the expansive nature of Regulation W, and the importance of assuring compliance, financial institutions need to look at various sources of data to extract critical information that will help them identify and capture covered transactions.

Our client is a global financial leader with 200 million customer accounts, doing business in more than 160 countries and jurisdictions. It has established an enterprise-wide Regulation W program that monitors covered transactions, but needed to review that program to ensure its performance. Because of increased regulatory scrutiny, the institution wanted to reassess its policies and infrastructure and identify any gaps. It needed to ensure that it was properly identifying and flagging all Regulation W transactions.

Solution

INSYS Group was engaged to provide a team for this effort, given its significant experience with Regulatory Framework (a required entity for the project). The team included project managers, risk managers and business analysts who captured all affiliate services rendered, as well as the respective charges for these services.

The INSYS team worked with the institution's lines of business to sign off on ICAs that documented some 10,500 services and 1,500 relationships, with 130 country agreements. The data was uploaded into a Content Management System (CMS) with a table of contents drop-down for audit purposes. This provided improved visibility for all Regulation W shared services, proactive identification of the affiliate services to be uploaded to the CMS, as well as masked data for use in testing environments.

Benefits

The financial institution reduced the risks associated with regulatory reporting through this project, and ensured compliance with Regulation W. It also improved its operations for legal entity governance and reporting.

Why INSYS Group

INSYS Group's Financial Regulation team understands how data is used, by business as well as regulators. Whatever the assignment, we make sure the client's reporting practices are designed, implemented and run properly and effectively. INSYS ensures the integrity of the client's processes in a way that satisfies internal stakeholders as well as regulatory officials.

We conduct gap analyses, then develop ways to close those gap and address compliance-related issues. Reporting processes are aligned with regulatory requirements at the most detailed level. That means clients can better manage reporting to both regulators and investors, ensuring they have a timely, accurate picture of the business.

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