SEC Reporting Modernization Is Here

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Reporting fatigue due to regulations is a fairly common concern in financial services. Adhering to the new regulatory requirements requires significantly more financial and staffing resources. In fact, State Street research found that 78% of asset managers say they're spending more time managing regulations[1]. Now that the Securities and Exchange Commission ("SEC") Reporting Modernization regulation is live, with the first compliance date being June 2018, institutions will now need to file Form N-PORT 30 days after every month end for each fund in scope under the regulation. Reporting frequency has now more than doubled, from 6 to 15 times per year. Form N-PORT also requires a significant amount of data be reported to the SEC from multiple sources, internal and external. The SEC estimated[2] that processing this data could take close to 168 hours annually per fund, and even more hours (198) in the first year as institutions adjust to the new reporting cycles. Ensuring data accuracy and consistency at this scale and speed demands true operational transformation.

In order to prepare, in-house operations teams should have been using the past two or three months to conduct practice runs, and evaluate whether they can obtain data, format it, review it and e-file a report within 30 days. After all, fund managers are now overseeing policies and procedures related to accumulating and validating holdings, general ledger, vendor data, performance, securities lending and more. All in a compressed timeline. This isn't just a new form; it's a new way of doing data.

State Street took the new regulation and its transformative requirements to heart. As we've digitized our reporting over the last few years, we leveraged several automated processes already in place, and are continually building new ones, so that the correct data is populated into each regulatory form. We can accept and store millions of data points directly from multiple sources, scrub data for completeness and resolve issues. We continue to automate processes in our accounting and administrative functions, including data aggregation, enrichment and reporting. Our operational control framework conducts systematic checks throughout the reporting cycle. We have been running monthly mock cycles since January 2018, which in May included over 70 clients and 3,400 funds.

1. http://newsroom.statestreet.com/press-release/corporate/despite-positive-outlook-new-research-state-street-reveals-asset-owners-mana
2. https://www.sec.gov/rules/final/2016/33-10231.pdf

SEC Approves Changes to Liquidity Disclosures

On June 28, 2018, the SEC adopted amendments designed to improve the reporting of liquidity information by registered open-end investment companies. The commission is:

- Rescinding the requirement in Form N-PORT to publicly disclose aggregate liquidity classification and adopting a new requirement to disclose information about the operation and effectiveness of their liquidity risk management program in their reports to shareholders.
- Adding a new requirement in Form N-PORT to report holdings of cash and cash equivalents.
- Allowing funds to report multiple liquidity classification categories for a single position under specified circumstances.

A Single Source of Truth

Today's investment climate requires an overwhelming amount of data. As the lines between front, middle and back office continue to blur, smarter data management is absolutely essential for effective performance and recognizing growth opportunities. In fact, State Street research[3] found that more than half (60%) of institutional investors surveyed plan to partly or fully outsource their data management over the next three years. Regulators around the globe are increasing reporting and filing requirements around risk and analytics, and more than half of survey respondents (57%) cited those regulatory demands as a driver behind their change in data management.

Despite a greater understanding of what the regulatory landscape will look like, many asset managers are worried about what might come next. Regulatory complexity will continue to be critically important for the foreseeable future as a majority of companies see the impact of regulations as the greatest risk facing the asset servicing industry.

Throughout the world, there is a strong focus on transparency, which requires well-organized, consistent, and clean data. Our job as a data provider is to deliver clients that consistent data set that provides them with a single source of truth, minimizing operational burdens for asset managers so they can make better investment decisions, meet regulatory requirements, and gain competitive advantage. We are continually assessing how we manage data and the availability of that data to clients to ensure consistent reporting from a single source of truth to meet regulatory demands in a timely manner.

3. http://newsroom.statestreet.com/press-release/data-and-analytics/new-state-street-research-reveals-more-half-institutional-investors

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