



**1 ABOUT  
MONOCLE**

Monocle is an independent, results-focused management consulting firm specialising in banking and insurance, employing highly skilled consultants at offices in London, Amsterdam, Cape Town and Johannesburg we service our clients across the United Kingdom, Europe, Scandinavia, Asia, South Africa and much of Sub – Saharan Africa.

Monocle has a proven capability in modernising and integrating the three core disciplines of finance, risk, and treasury – from data and processes, to business and regulatory requirements. We have extensive experience in leading data change projects that enhance and optimise banks’ data management strategies, including compliance to BCBS 239 – a principles-based standard for effective risk data aggregation and risk reporting as outlined by the Basel Committee on Banking Supervision.

**2 OVERVIEW  
THEMATIC FINDINGS**

In September 2021, the Prudential Regulation Authority (PRA) issued their thematic findings relating to their Dear CEO letter on the reliability of regulatory reporting in 2019.

The PRA expressed their concern regarding the processes used to ensure accurate and reliable regulatory reporting in banks. They cited many firms focused to heavily on tactical fixes leading to a chronic lack of controls, investment and understanding.

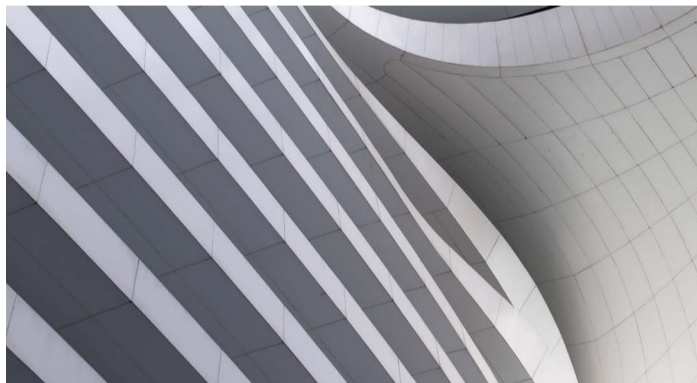
The PRA outlined various findings across three critical areas:

- ◆ Governance and Ownership: Poor understanding, documentation and ownership of various end to end processes
- ◆ Controls: Poor control frameworks and lack of documentation relating to models, spreadsheets and reconciliations
- ◆ Data and Investment: Significant instances of manual interventions, exacerbated by a lack of strategic fixes and inefficient data infrastructure

The next step will be for firms to address these findings through well resourced and comprehensive remediation plans to ensure the integrity of their regulatory reporting going forward.

**3 KEY  
CHALLENGES**

- ◆ Reliance on historical workarounds to remediate data quality issues and outdated, fragmented IT systems
- ◆ Incomplete taxonomies, undocumented controls, unclear or non-existent end-to-end data lineage
- ◆ Capacity constraints on skilled resources
- ◆ Underestimation of effort to complete
- ◆ Complexity and scale of reporting requirements



**4 SUGGESTED  
APPROACH**

The thematic findings have provided clear pain points that banks must address. This will require banks to have a comprehensive and accurate understanding of the root causes and the corrective measures that must be applied.

We recommend the following approaches in identifying and assessing these root causes based on our client’s current state:

1. For banks that have yet to determine the root causes effecting the reliability of their regulatory reporting, Monocle can conduct a root cause analysis of the reporting landscape to identify and assess process pain points across governance, controls and data.
2. For banks/institutions that are already on the journey to address their identified shortcomings and root causes, but which may not have the necessary skills or resource capacity, Monocle can assist in accelerating the action items below, based on the bank’s progress to date.

Dependent on the level of maturity and progress, some or all the action items, as outlined below, will apply in order to meet the guidelines. Monocle will assist in planning and remediating shortcomings as they relate to the specifics of the client.

**Action Items include, amongst others, a focus on the following:**

Assessment	Possible Corrective Measures
Review the effectiveness of governance, policies, controls, and other processes around regulatory returns specifically COREP	<ul style="list-style-type: none"> <li>• Compile, catalogue and operationalise data governance frameworks.</li> <li>• Document and monitor issue management throughout the systems/processes.</li> </ul>
Deep dive investigations to test the data quality of returns from source to target	<ul style="list-style-type: none"> <li>• Measure and track reporting completeness, accuracy and timeliness.</li> <li>• Trend analysis through MI visualisation for reasonability and exception reporting.</li> </ul>
Identify, validate and ensure the availability of the supporting rationale for any key interpretations and judgements made by the business in meeting their reporting obligations.	<ul style="list-style-type: none"> <li>• Fully document taxonomies of judgements and interpretations; consolidate evidence and governance that support their validation thereof.</li> </ul>
An assessment of the records maintained of material reporting errors and the actions taken to remediate them.	<ul style="list-style-type: none"> <li>• Compile and maintain a register of manual adjustments/processes; document and embed an incident management framework with relevant upstream controls.</li> </ul>
End to end process analysis to identify, explain and map manual interventions.	<ul style="list-style-type: none"> <li>• Design and embed controls, validations and reconciliations to manage manual intervention risks while automating processes where possible</li> <li>• Document embedded controls and automated processes</li> </ul>

In proposing the remediation and improvements to data and processes, Monocle will consider how these can best be optimised and automated, specifically when considering the future requirements of the FCA and the Bank of England’s Digital Regulatory Reporting (DRR) project.

3. Having completed the actions as outlined, Monocle will assist in determining whether the root causes relating to the thematic findings have been addressed and document supporting evidence for further PRA reviews.

**HOW  
MONOCLE CAN ASSIST**

Monocle has extensive knowledge and experience in implementing regulatory and data governance projects that comply with the principles and requirements raised in the Dear CEO letter. We are thus expertly positioned to assist banks in meeting the PRA’s regulatory reporting requirements. Our unique combination of business subject matter knowledge, strategic insights, and detailed understanding of financial data systems across banking and insurance allows Monocle to plan and execute a tailor-made service suitable to assist our clients.

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