

# When Compliance meets a High-Tech Service Provider

A long-term solution for a long-term partner

## THALES

### THALES Suisse SA Services

Thales in Switzerland has built a large presence in the Banking and Finance sector over many years. Based throughout Switzerland, we support clients in Private Banking, Investment Banks and Insurance with consultancy, systems integration and outsourcing services.

As part of our specialised Banking services, Thales has now developed a consulting practice focused on Compliance.

## The regulatory and accounting market

In business today, the amount of resources expended on regulatory compliance is greater than it has ever been. National, Regional and International regulations increasingly dominate the business agenda.

*“There is however light at the end of the tunnel”*

It is a situation where the threat is perversely more imminent than what we have come to expect from our collective “regulators”. Most of us know that the least efficient way to collect data is to transpose it to a paper form and mail it to someone who then has to read all such forms sent to them. Computers do a far more effective job of reading and checking data. Indeed, in the United States, the banking regulator, the Federal Deposit Insurance Corporation (FDIC), now has a system which can check a bank’s quarterly (5,000 fields) return in under five seconds. Moreover, accuracy has gone from 65% to greater than 95%+.

Better data, easier to submit and easier to share. The embedded business rules within the electronic submission ensure that only those companies whose data is at odds with business norms are then subject to further investigation. This is a classic implementation of what is known as a risk-based approach.

*“Use computers to check the data and use regulatory resources only where necessary”*

For respondents too, this has significant benefit. Exactly what a regulator wants is contained in a “template” and how the data is to be checked is set out in qualitative and quantitative terms. If a business carries out those checks before sending the data, it is assured that quality data has been submitted. In an ideal world, other regulators would see the benefits of this approach and move to adopt the same approach.

The really surprising thing is that many are. The world over, some eighty plus regulators have already adopted this approach. It is certainly one of the biggest movements in regulatory reporting - ever. At the heart of this paradigm shift is an open source standard called eXtensible Business Reporting Language (XBRL).

The EU has adopted XBRL to harmonise Basel I and II reporting. The International Accounting Standards Board has already defined the International Financial Reporting Standard (IFRS) in XBRL.

This will significantly ease reporting of financial data for those companies now obliged to report using IFRS. In the US, the FDIC and SEC are enthusiastic adopters. In the UK, its use for filing of corporation tax for some 1.5m businesses from 2010 is to be made mandatory. Individual countries too have regulatory and/or governmental agencies adopting the standard. Examples include Australia, Belgium, China, Spain, Italy, Japan and Switzerland.

## Overview of the current market compliance initiatives

### Basel II Accord - Capital Adequacy - Pillar One

Financial Services and Markets Act

### Market in Financial Instruments Directive ( MiFID-CESR )

Anti Money Laundering

Common Reporting Platform ( CORP-CEBS )

Risk Assessment System ( CEBS )

### Basel II Accord - Market Discipline - Pillar Three

eXtensible Business Reporting Language ( XBRL )

Sarbanes-Oxley

Financial Reporting Platform ( FINERP-CEBS )

International Financial Reporting Standards ( IFRS )

### Basel II Accord - Supervisory - Pillar Two

Insurance Mediation Directive

## The cost of Compliance is already high ...

Basel II spend alone estimated at €5b annually through 2007

Datamonitor

*“Regulatory compliance spending is growing at a rate twice that of IT spending. In many cases, IT spending budgets are entirely consumed by regulatory compliance.”*

Gartner, Dec 2005

## ... but for some it is higher

### “Marsh to Pay \$850 Million”

New York Times, 31 Jan 2005

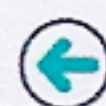
*“Three-quarters of investors and analysts would sell or mark down shares of companies forced to declare a ‘material weakness’ under SOX”*

PwC/MORI Poll, March 2005

*“Thomas Trauger sentenced to 12 months in federal prison for violation of the Sarbanes-Oxley Act”*

RiskCenter.com, 31 Jan 2005

## What is the market doing about it ?



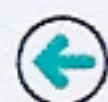
Organisations are reacting to the current regulations by implementing silo-led solutions. Point solutions are seldom integrated to form an enterprise-level solution, which can lead to duplication of data, and to conflicting information.

"The figures we currently give to our primary regulator are different to the figures we give the Central Bank - and we don't know why"

Head of Compliance -  
Large Savings & Loans Institution

Up until now, organisations were able to get away with a silo-led approach. Regulators were mainly supervising their firms or organisations using data collected by paper forms and read manually by human supervisors. Content and information is sometimes collected from more than 200 source systems and is then duplicated (and may even be different) for every regulator, and there is no standardised approach across countries and regions. This is all changing.

## What is the Thales approach ?



Thales has used its long experience of providing compliance solutions of all types, and building compliance into its own processes, to focus on a sustainable approach.

Thales has built a strategic Sustainable Compliance Framework, and has developed a set of "best of breed" solution partnerships within this Framework.

At Thales, we will work closely with you to develop an individual solution that delivers practical business change where it is most needed. At the core of the Thales approach is our ability to understand, clarify and map key process, and to implement business tools and applications in a solution that ensures long-term sustainable Compliance - and delivers real business value.

Our European team of specialists is now available to help our clients meet the new and increasing demands of compliance.

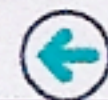
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## When Compliance

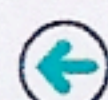
## meets a High-Tech Service Provider

## The aims of the Sustainable Compliance Framework are :



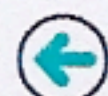
- ✓ To draw a coherent strategy for Compliance across the enterprise.
- ✓ To build a comprehensive Risk Assessment and Mitigation plan.
- ✓ To ensure compliance processes are well documented and widely understood.
- ✓ To ensure Information Quality of 95%+.
- ✓ To develop a strategy for Electronic Reporting.
- ✓ To offer a phased approach for the implementation of any solutions that builds upon existing investments.
- ✓ To improve costs and therefore Profits.

## Who can benefit ?



This Governance Framework has been designed for all regulated firms, but initially for organisations that are ultimately involved in Financial Services, regulated and supervised throughout the European Banking committee (CEBS) and the European Securities Regulators (CESR).

## What's next ?



If you think you need help to determine whether your organisation will have problems in meeting the demands of Compliance in the new era of Electronic Reporting, just call Thales. We specialise in providing long-term services for the Financial Services market, and our Sustainable Compliance Framework will quickly identify whether there are any gaps in your existing approach.

David MARTIN, Senior Banking Consultant



## Global Services for Enterprise & Finance

### Securing Business Value

#### Consulting

- Process analysis and definition
- Change management
- Project management

#### Solutions

- Sustainable compliance
- Product and Assets Life-cycle Management (PALM)
- Supply Chain & Logistics
- Business Intelligence & DWH

#### Outsourcing

- Mission critical outsourcing
- Facility Management



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