

## Case Study: Banking

# Finserv automates compliance function with next-gen platform

A next-generation reporting engine helps a financial services firm automate the way it complies with global regulations.

A European financial services firm has successfully partnered with Cognizant over the past 15 years, and we are a trusted advisor to the firm across all lines of business.

## The challenge

A significant uptick in new global mandates from regulatory bodies across the Americas, Europe and Asia-Pacific motivated our client to create a scalable platform to support faster responses to regulatory requirements. The existing platform used hard-coded rules that made changes difficult. Because Cognizant was familiar with the platform, we joined forces with the client to support the implementation of the next-generation compliance platform.

To ensure the implementation moved forward efficiently, while giving the client's SMEs the time they needed to focus on the new optimization, Cognizant ran the legacy compliance management platform, including front- and back-office operations. Joint teams with deep regulatory expertise then worked together to build a new platform. Cognizant's priority was to own and operate the existing system to deliver mutually agreed on business outcomes.

## At a glance

Building on a long-standing business relationship, a European financial services firm entrusted Cognizant to manage its legacy system as the firm built and implemented a new compliance platform. We helped with run-the-bank (RTB) activities to allow the firm's SMEs to focus on the new regulatory compliance platform project. Business benefits include:

- New compliance platform handles 7 to 8 million reports per day, sent to regulators across the Americas, Europe and Asia-Pacific
- Automated the firm's process of complying with global regulations
- Took over existing Cognizant-owned run the business activities, and joined forces with client team to implement the new compliance platform
- Eliminated the effort required by the firm to manage the onboarding of Cognizant team members

## The approach

Cognizant proposed a solution that included acquiring the CRRE platform (Common Regulatory Reporting Engine) from the client and initiating a three-year contract to provide end-to-end service for the platform. As the incumbent in the development and testing services of the CRRE platform, we had the expertise necessary to propose an outcome-based solution. This allowed both Cognizant and the firm to mitigate risk for three years while a new platform was developed.

Now, as owners of regulatory reporting through CRRE for the entire financial firm's front office, we serve as the last line of defense before the firm reports multiple asset class transactions across various regulations around the world. CRRE verifies that no incorrect data is reported, and that no data is left out. Our client's trust in our management of this critical function is one of the most important aspects of the engagement.

### Managing efforts throughout the optimization

At the start of the project, the firm managed both the Cognizant teams and its internal staff. But the effort to onboard Cognizant's Center of Excellence personnel such as QA architects, consultants and other experts for—in some cases—just short periods of time required resources the client needed in other areas. Our Managed Services contract resolved this issue by taking over the function, which greatly reduced the time required for change processes per the T&M (time and materials) contract every time a team change occurred.

The scope of the project included transitioning two applications—the Common Regulatory Reporting Engine and the Trade Reporting Platform—over to Cognizant under a managed services construct, with change-the-bank (CTB) services transitioned first, followed by run-the-bank (RTB) services.

While the two applications manage many of the same functions, they cover different asset classes and geographies. Some of the previously hard-

coded rules were also replaced, allowing the CRRE application to handle all new trades.

The financial services firm entrusted us with testing the new platform, an approach made easier due to our close familiarity with its implementation and development. This also alleviated the need for any sort of transition.

### Opportunities to transform

We improved the operating model by taking ownership of supporting production issues and queries, along with existing QA and testing activities. This shortened turnaround times on issues and increased the development team's velocity. We also evaluated the benefits of combining the CRRE and Swap Data Repository Adapter teams versus having dedicated teams to promote interchangeability and knowledge sharing.

By moving towards a single team pod model and taking ownership of production support activities from RTB teams, the firm was able to reduce its overall spend.

Improvements in engineering included QA automation and a Continuous Integration (CI) implementation approach that reduced a 15-day regression testing cycle to seven days. CI, in particular, automated the release activities across applications.

We also used Shift Left opportunities for the CRRE to find and prevent defects early in the software delivery process. We also automated repeatable manual activities, such as queue/process monitoring, control-m monitoring, portal monitoring, daily checkouts and error website monitoring, among other activities.

### Business outcomes

Key to the implementation's business outcomes is the trust placed in Cognizant to run the CRRE platform, which is a highly critical business function for the firm that deals with multiple financial asset classes and an extremely high volume of transactions.

The daily volume of transactions is high at seven to eight million reports per day, which are sent to regulators across the Americas, Europe and Asia-Pacific. Some of the regulations managed include Dodd-Frank Act and the Commodity Futures Trading Commission (US), Canadian Dollar/CAD (Canada), the European Market Infrastructure Regulation (Europe), the Monetary Authority of Singapore (Singapore), the Australian Securities and Investments Commission and the (Australia) and the EU's Markets in Financial Instruments Directive (MiFID II) commodities positions.

The range of financial products supported include collateral, commodity, credit, equity, FX, rates and valuations. Also important to note, each trade requires compliance with different regulations.

Additional implementation successes include:

- Implemented AI/ML bots using open-source natural-language understanding (NLU) to reduce dependency on SMEs by 80%
- Made optimizations through Agile/DevOps process improvements, which increased story point (an Agile term that refers to a change made to an application) deliveries annually, from 225 a month, to 231 and most recently to 237 a month
- Continuing to meet the client's business requirements amid pandemic restrictions without any lag or hampering the business

Looking ahead, plans for the CRRE include more AI use cases to automate the combining of data to ensure the firm meets regulatory compliance globally across all asset classes.

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## About Cognizant

Cognizant (Nasdaq-100: CTSI) is one of the world's leading professional services companies, transforming clients' business, operating and technology models for the digital era. Our unique industry-based, consultative approach helps clients envision, build and run more innovative and efficient businesses. Headquartered in the U.S., Cognizant is ranked 185 on the Fortune 500 and is consistently listed among the most admired companies in the world. Learn how Cognizant helps clients lead with digital at [www.cognizant.com](http://www.cognizant.com) or follow us [@Cognizant](https://twitter.com/Cognizant).



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