

Success Story



IFRS: Disclosures

GFT reduced risk assessment exposure for an investment bank, improving the technology infrastructure and building a compliant reporting system.

Achievement

The success of this Disclosures project in meeting International Financial Reporting Standards (IFRS) reduced the investment bank's exposure to risk by considerably improving the process used to assess that risk.

GFT's involvement in the project was in identifying system sources and data mapping to build a single Disclosure data store; monitoring the data quality, building a graphical interface for reviews and adjustments and generating the regulatory reports required by IFRS7, by the tight deadline of January 2010.

The project's successful outcomes ensured greater transparency for the bank regarding the risks surrounding assessing financial position and performance and the amount, timing and uncertainty of a bank's future cash flows. This led to more informed judgements about likely risk and return.

GFT's importance in driving to the project was recognised by the bank which consequently asked GFT to oversee its Liquidity Disclosures programme.

Benefits

The project improved the bank's risk health by building a compliant reporting system. The main benefits to the business are therefore the enhancement of the bank's infrastructure and processes. This results in the bank being able to meet regulatory requirements for Fair Value Disclosure and deliver timely reports in an efficient manner, without material risk of misstatement. These benefits were realised by achieving:

- A set of reports, dedicated to the generation of the IFRS7 disclosures reports, which fully respond to the regulatory requirements.
- Reduced operational risk through the implementation of a single data store, holding the complete population of trade level data for use for regulatory disclosures.
- Consequent elimination of end-user developed applications.
- A new control and escalation process of disclosures quality data within the bank.
- Earlier reporting through a user interface and adjustments tool (DAT).
- Quality assurance and validation & control for the review and amendments of disclosures data by users during their period-end process.
- Audit trail tracking and monitoring of accountability.

About IFRS

IFRS7 is the International Accounting Standard Board's focused response to the financial crisis and attempt to address the G20 conclusions, aimed at improved transparency and enhanced accounting guidance. They are designed to improve the disclosure requirements about fair value measurements and reinforce existing principles for disclosures about the liquidity risk associated with financial instruments.

GFT's Approach

GFT began the disclosures project with the business requirements gathering phase. The team's role covered functional and technical requirements, as well as working with other vendors on the IT solution design and development. Delivery for the project involved people onsite in London and nearshore resources in Spain.

Firstly, the business requirements document regarding the reports was revised in the light of the tight schedule. Secondly, it was necessary to create a clear definition of the overall new period-end process and to define key requirements, such as the data sourcing (which source can provide which level of granularity of data, available at the time the data is needed, etc.), the tools (review and adjustments), or reports. It was then decided to iteratively define the business process,

which would be driven by the IT design initiatives and proposals, rather than by the sole business requirements.

Thirdly, the GFT team identified the different sources and determined the mapping which would feed the disclosures data store. GFT also led the technical specification and development to feed the cash information, liaising with the correspondent provider.

Finally, significant data quality issues at bank level required different approaches to be considered, before the GFT team came up with a pragmatic solution in user acceptance testing. Thus, GFT confirmed that a parallel DDS/manual run would be conducted for the year-end reporting for reconciliation.

GFT Subject Matter Expert

Grégory Wurtz, Consultant at GFT commented, "The risk health of investment banks has become increasingly important as a result of the financial crisis and regulatory bodies in Europe and the USA are already addressing this issue. As this project demonstrates, GFT is highly experienced in assessing a bank's existing structure and designing new systems which meet the new regulatory requirements".