

Dodd-Frank Act compliance critical to global bank

Global bank depends on HPE for accurate record-keeping for compliance deadline

Objective

To ensure compliance with the Dodd-Frank Act's record-keeping requirements by implementing a centralized system that stores information accurately and efficiently, and can rapidly retrieve any information requested by regulators

Approach

The global bank worked closely with HPE to implement a record-keeping system, relying on the in-built capabilities of HPE Records Manager and ControlPoint to ensure Dodd-Frank Act compliance in time for the deadline

IT Matters

- Provides a single cost-effective and easy-to-manage solution that meets all complex Dodd-Frank Act record keeping requirements
- Simplifies retention management by automatically managing record retention periods based on complex rules
- Eliminates the need for additional costly IT systems by supporting any global regulatory requirements

Business Matters

- Ensures compliance through accurate record-keeping
- Eliminates errors associated with manual processes
- Makes information available in minutes rather than weeks
- Proves records have not been tampered with
- Scales to support continued growth of the business



Challenge

Trading swaps around the globe

Passed in response to the global recession of 2008/9, the Dodd-Frank Act requires all financial institutions and dealers that trade swaps within the United States (US) to report on their trades from January 2014. Companies that are not compliant risk heavy fines, a damaged reputation and time-consuming close scrutiny from the regulators.

The Act's record-keeping requirements require companies to, amongst other things, store all files and sequences related to each trade – from pre-execution through execution and into post-execution – in a write-once-read-many format and with a universal time coordinator (UTC) timestamp. These requirements ensure the files are not tampered with and enable the regulatory authority to inspect all the events related to each trade: how it was confirmed, how it was booked, and how it was cleared.

The global financial institution in Japan and one of the largest financial firms globally, the global bank needed to ensure it was compliant locally and globally in order to continue its swaps business within the US. Headquartered in Tokyo and with nearly 800 branches in Japan and a further 100 branches across all corners of the globe, it needed to ensure Dodd-Frank Act compliance before the deadline. "Since we are a global bank doing a lot of business with US firms as a swap dealer, we are required to report on those trades globally," explains the vice president of the global bank.

An almost impossible task

The Act primarily impacts the hundreds of employees working in the bank's compliance and legal offices. Requests from regulators might include a request for all the information relating to a specific transaction or a specific counterparty or customer. Responding could take weeks or even months.

“Our Hewlett Packard Enterprise solution is an investment well spent. Implementing HPE Records Manager and ControlPoint is helping us ensure we are compliant and that our records are being maintained and managed properly and retained accordingly. We were able to roll out our project in a short period of time and we are already seeing a return on investment for investors and stakeholders.”

— Vice president from global bank

The vice president explains why, “Historically we, along with all other firms in the market, have stored and managed email, IM, voice, documents, trade records in silos across the organization.

“Regulatory requests under the Dodd-Frank Act, for example, require us to collect, sort and categorize information from each silo before it can then be passed to the compliance office who will then collate every single entry before legal can sign it off. This burden became costly, and virtually impossible to address within the 24 hours permitted under the Dodd-Frank Act.”

Archiving systems fall short of the mark

Looking for a suitable solution, the vice president consulted with his peers in other financial institutions but felt the archiving solution many were considering would be inadequate. “An archive applies basic retention management, usually the same retention policy for all content of the same type,” he elaborates. “But with the Dodd-Frank Act the retention policy is based on the phase of the trade, the trade’s maturity date and the file type. Then if the maturity date changes you need to modify the retention policy. All these very complex aspects require a system with granular trade-level retention management capabilities.”

Unable to initially find anything suitable on the market, the vice president began designing a system. He adds, “Without a suitable system we would have to close down our swap trades, which are a significant part of our revenues.”

Solution

A single automated system

The vice president quickly realized that the bank needed a single centralized and automated system in order to respond to trade-level requests accurately and efficiently, and eliminate the financial burden of having to manage a multitude of systems – one for each communication channel and each system used throughout the lifecycle of the trade.

Automation would eliminate manual errors, improving accuracy and consistency, which is vital when you need to ensure compliance. “I needed a solution that could be implemented globally at the largest scale and yet could maintain consistent search and retrieval results,” comments the vice president. “The consistency of the results should be the same regardless of where you are geographically, while respecting international safe harbor agreements for international boundaries.”

HPE, the only choice

While researching options, the vice president learned of the HPE Information Governance solutions and quickly called HPE to arrange a white-board session. “They blew my mind. Everyone that was in the room was so impressed. The HPE team was knowledgeable of both technical and regulatory aspects of the Dodd-Frank Act as well as honest and transparent.”



“They had a platform built on the HPE Intelligent Data Operating Layer (IDOL), a product that builds taxonomy and an enterprise records management solution – they had all the components needed.”

In response to the global bank’s request for proposal containing complex requirements and a design proposal, HPE demonstrated a solution based on the tight integration between HPE Records Manager and ControlPoint, showing how HPE ControlPoint could automatically categorize data before migrating it to HPE Records Manager for complete lifecycle management. They also articulated how HPE Records Manager integrated with ControlPoint could deliver sophisticated content ingestion, automatic classification and management of records of all types – including voice, email and messaging for the thousands of trades performed each day.

Data could be automatically managed according to defined retention periods to ensure accurate enforcement of the complex Dodd-Frank Act retention rules. These capabilities would not only be critical for ensuring compliance, they would also be vital for long-term cost management. “HPE had a game plan and gave us a demo,” recalls the vice president. “Everyone was impressed with what HPE demonstrated and knew it would meet our record keeping requirements. It was obvious that HPE not only knew what we were looking for but could actively advise on the needs of the marketplace.”

With a solution based on HPE Records Manager and ControlPoint able to fully meet the bank’s needs, it engaged HPE to implement the mission critical solution.

Building the taxonomy

Using the HPE IDOL platform, ControlPoint analyzes and categorizes the diverse range of data relating to the Dodd-Frank Act, capturing the business context of each piece of data relating to each trade: the legal entity name, participant names, unique swap identifiers, a number of timestamps (such as a confirmation timestamp, a trade timestamp, and an execution timestamp) and other metadata that the global bank has defined.

HPE ControlPoint migrates the data and metadata into HPE Records Manager, where the records are classified based on the HPE IDOL understanding of their context. “HPE ControlPoint manages the taxonomy,” elaborates the vice president. “It strips out the data and metadata and sends it to HPE Records Manager where we have pre-defined tables for storing the metadata we need. HPE ControlPoint reaches out to other systems to look up trade type, priority and type of customer before tagging the data it sends to HPE Records Manager.”

Expedient retrieval

With the business context of each piece of trade data stored in HPE Records Manager, its sophisticated IDOL-based search engine is able to quickly retrieve all information directly or contextually related to a specified search query. For example, when regulators audit a company they might request all the information related to a specific transaction or possibly on the trades related to a specific counterparty or customer and within a specific timeframe. The vice president reveals, “When the compliance team searches for a specific record they enter the identifier and HPE Records Manager knows what to look for. It knows the details of the trade through its lifecycle. It retrieves existing records pertaining to that trade.”

Timely response to regulatory requests

The compliance office can quickly present the regulators with an overview of those trades and the preceding events leading up to them in the format they request – regulators have predefined formats for pdf and pst, for example. “We developed predefined templates so that the regulators are provided with reports in the format they want, along with the metadata that shows that nobody has tampered with the information.”

Benefit

Requests fulfilled immediately as per the Dodd-Frank Act requirements

Today the global bank knows it can respond quickly to requests from regulatory bodies, thanks to HPE Records Manager and ControlPoint. “It gives us peace of mind,” the bank. “We know we are compliant and if there is a request from the regulators that we can respond in adequate time.”

Customer at a glance

Software

- HPE Records Manager
- HPE ControlPoint

“Without this system we have estimated it would take us weeks doing it manually.” The bank does not only rely on its HPE solution for timely information, it relies on it for accurate information. Storing information automatically mitigates the risk of human error. “Everything is stored electronically and there are no errors.

“When you rely on manual report processing you ought to expect errors, such as typos and miscalculations. With HPE, the results are accurate and immediate,” comments the vice president.

Compliance assured, reputation protected

Confident of compliance with the act’s record keeping requirements, the bank does not fear fines and knows its reputation is safe. Its peers have seen fines running into hundreds of millions of dollars, but it is not just the fines they fear. “Your reputation would be damaged and the regulator would audit you more frequently, putting you under the microscope,” the vice president notes.

“Our HPE solution is an investment well spent,” he continues. “HPE Records Manager and ControlPoint are helping us ensure we are compliant and that our records are being managed properly and retained accordingly. We were able to roll out our project in a short period of time – which means we are already seeing a return on investment. Now we can focus on increasing our profits for investors and stakeholders.”

A truly global solution

The HPE solution will soon be rolled out in other offices around the world. The vice president’s experience in successfully deploying the system in the Americas will assist in these implementations when projects previously had always been led from the bank’s headquarters in Tokyo. “Our Tokyo headquarters has given us a lot of autonomy because they have seen our creativity and that we can deliver,” adds the vice president.

With HPE, the global bank can be sure of local support for all its offices around the world. The vice president knows that whichever office the system is being implemented in, there is always someone close by to turn to if the team needs support. He comments, “I wanted a company that could support us globally if we want to implement the system in other regions; we want to make sure that we have local support. The HPE team has been tremendously helpful, agile and flexible to the ever evolving project requirements. They were knowledgeable and their expertise was a key factor to a successful implementation of the project.”

A truly flexible solution

The flexibility of the HPE solution will allow the bank to ensure it is compliant with other regulations around the globe. “We won’t need to spend funding on another system to ensure we are compliant with other regions of the world,” reveals the vice president. “HPE allows us to be compliant globally with regulations such as the European Market Infrastructure Regulation and the Japanese Financial Services Agency.”

Following the success of the Dodd-Frank Act system, the global bank plans to expand its use of HPE, leveraging it to fill other gaps. “We have a product that can help us with multiple things,” says the vice president. “We are excited to leverage this system to fill in some gaps, because we are confident in the system and its ability to adapt to our needs.”

He concludes, “This is going to be a long term relationship. We are going to grow things together. HPE has a good reputation, they know its product, and we are already working together on areas such as record information management, e-discovery, communications supervision and enterprise content management.”

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