



MYRIAD update April 2011

### The 3 R's – Risk, Regulation and Reporting

Another excellent article in the Financial Times entitled “Elusive information” (Financial Times, Wednesday February 16, 2011) looked at how Regulators know they are hampered by a lack of uniform data. “A trading desk may book a transaction as Deutsche Bank and code that as “DB”. When it gets to accounting, “DB” may mean Dresdner Bank” is one example quoted in the article. The very fact that the official at the Office of Financial Research (created in the U.S. by the Dodd-Frank financial act last year) is using the name of a defunct Bank that has now been absorbed by a third German Bank, reinforces the point even more: accessible, up-to-date, transparent information is ever more important. Forget the language of dashboards: it's a fad. Bankers need instantaneous, accurate reports, at the press of a button.

Contacting senior Network Managers has been difficult in the last 6 weeks. The Arab Spring and the unfolding crises in North Africa and the Middle East mean that, yet again, Risk Management is to the fore. Continuing a theme from the F.T. article above, a Trader may have asked ‘what do I hold that is Lehman?’ in September 2008, whereas a Network Manager is currently asking the equivalent of ‘who holds it, where is it and how safe is it?’ in certain markets. Network Managers everywhere have been preoccupied with fighting fires, sourcing information, disseminating that information and making sure the right back-up plans are in place should existing arrangements get compromised. Getting an accurate up-to-the-minute audit of any and all accounts is still a challenge in many institutions. In the absence of even the most basic report on static data, Risk Management will always be flawed.

There has also been a change in the number of Provider relationships Banks are now obliged to maintain: the trend had been to rationalise the Network but in many Institutions the pressure is now on to make sure there is back-up and consequently more than one Provider in each Market. This will only add to the administrative burden and management overhead.

New Regulators like the Office of Financial Research, or those with expanded powers are coming, though perhaps a little slower than some Politicians would like; it is an inescapable fact of life in the Financial World that scrutiny is on the rise and will only get much more intrusive. The OFR has the power to compel Institutions to provide data. Failure to do so in a timely manner will have painful repercussions. When the former Chairman of the SEC said, in 1968, that “We are able to provide a measure of protection to investors that theretofore had been virtually impossible, due to budget and ‘manpower’ limitations. But our techniques in this area are not as fully developed as they will be”, he could only imagine what lay ahead. And that at a time when the

New York Stock Exchange had acquired “its own Computer”, to mitigate days of closure, because paper records were so out of hand.

Previous updates from MYRIAD have focussed on operational processes, commercial benefits and the ease, speed and accuracy of automation. We have had a strapline for some time now: “converting information to intelligence”. Calls for international standards of data, the removal of non-standardised identifiers and standardised invoicing, for example, are all well and good, but how long will they take to achieve? How will Banks continue to cope in the meantime? And even when such standardisation takes place, what will the destination database look like? Many people are struggling to define data feeds, input standards and common languages when they still do not understand what their desired outputs are; failure to grasp this will likely lead to additional cost, much waste of time and ultimately, great frustration. It’s not just the OFR that are calling for this type of standardisation: the ECB are looking at consistent reference data too.

On top of this, it may be that data is fairly well organised, but how is it being used? Can Reports be pulled ‘ad hoc’ and manipulated in such a way as to add value instantaneously and in a very targeted way? Regular reporting standards may satisfy senior management and Compliance, but the Regulator is more interested in the type of non-standard Risk reporting that is almost certainly taking place all the time, right now. It is just that the quality of data is sometimes lacking.

Automation and Brokerage were to the fore in our last update and we continue to go further and deeper in this respect. We have seen a step up in the levels of automation and transparency we provide, both for complex fee schedules and for the large ICSDs. High volume Brokerage transactions can now be handled by MYRIAD and critically we have expanded features to do with cost allocation/reallocation, recharging of business lines and plug-ins to handle a wider (and growing) variety of electronic invoices. The underlying message is that MYRIAD does not need standardisation to deliver value.

A final, technical point: a recent implementation meant MYRIAD had to be ported to an Oracle database. This has been done successfully, which is no mean feat, least of all on the timescales involved. This removes a potential barrier for us where large Institutions may perhaps insist on hosting the technology themselves, but the corporate database standard is Oracle. This represents another tick in the box from an I.T. due diligence angle.

We will be at NeMa in June and expect to make more announcements in the coming months.

The MYRIAD team.