



Quarterly Asset Reporting – Technology Challenges

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AFM CFOs Network

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FRS Background



Software Company Founded by Actuaries and IT Specialists

Specialise in fund administration for Life Insurers & Asset Managers

Invest | Pro™ – Fund Administration

Invest | GRC™ – Governance, Risk & Compliance

Invest | OPS™ – Outsourced Partner Supervision

Agenda



Pillar 3 Asset
Reporting

Solvency II
Governance
Structure

Technology
Challenges

Technology Tools

Solvency II is on the horizon



It will be alright on the night!

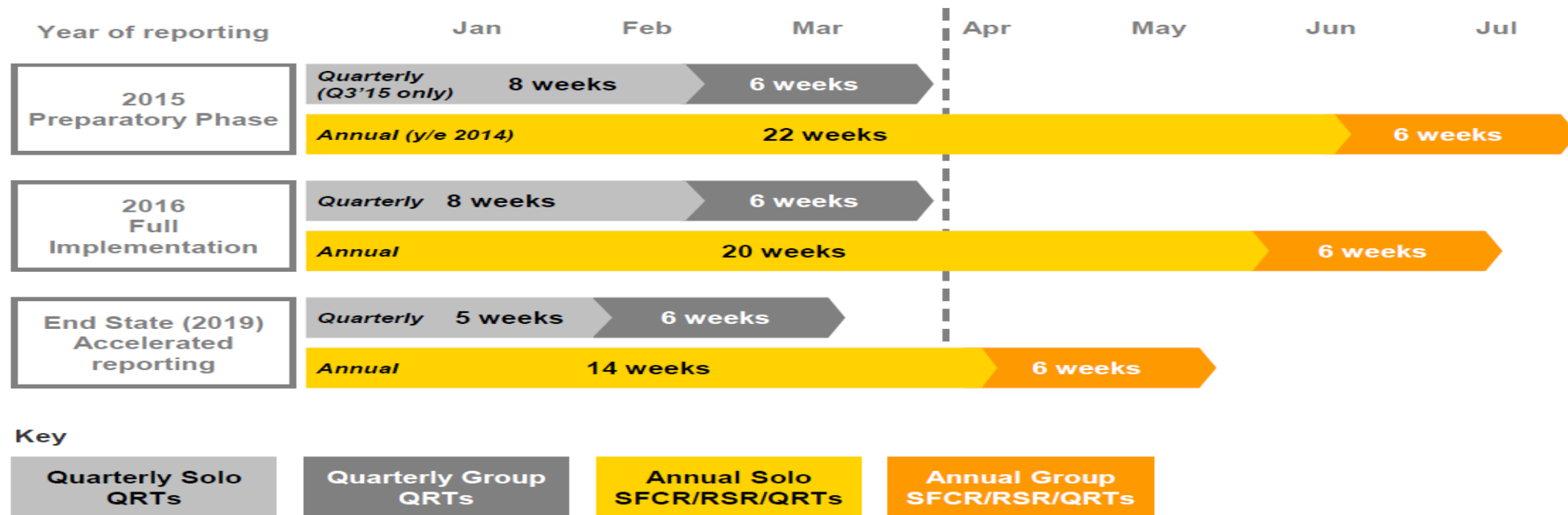
It's not quite as easy as that!





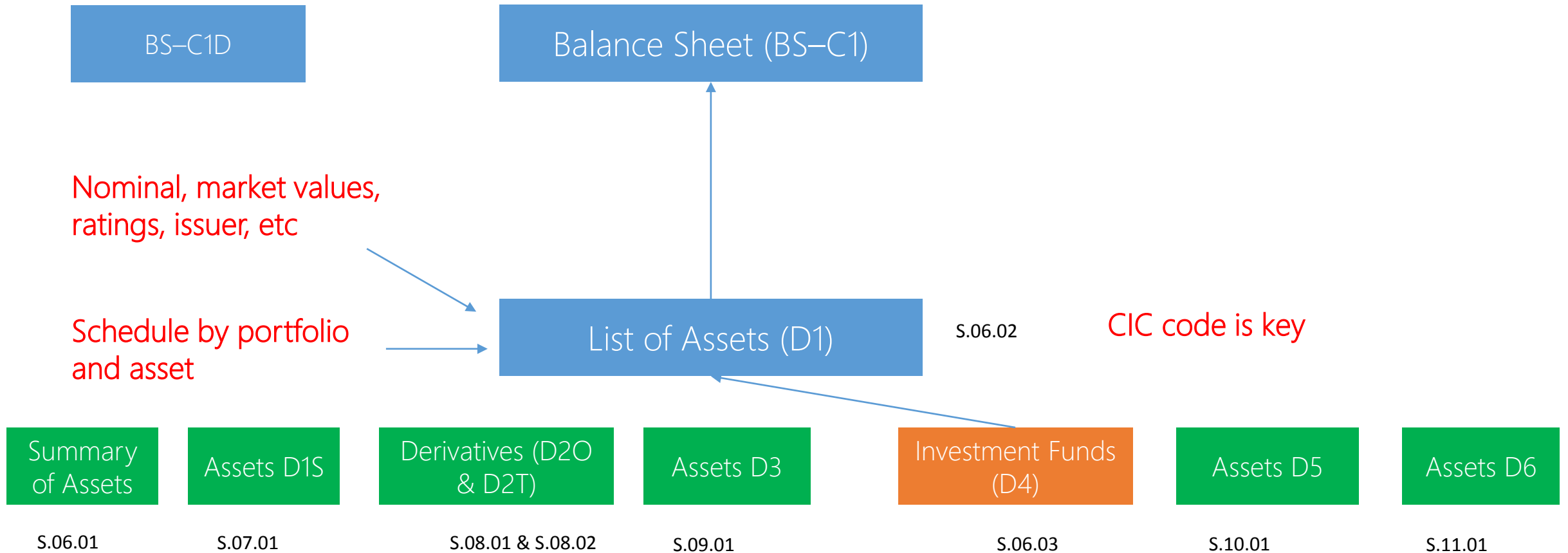
Pillar 3 asset reporting

Pillar 3 requirements: What are the deadlines for reporting?



Tight dead-lines; third-party involvement

Structure of Asset Reports



Asset QRTs

Assets D1	Q	A	Properly assessing financial risks	Central to QRTs
Summary of Assets		A	Basic information on investments	
BS –C1	Q	A	Balance sheet	Central to QRTs
Assets D1S		A	Structured notes and collateralised securities	
Derivatives (D2O & D2T)	Q	A	Open and closed derivatives	
Assets D3		A	Assess investment performance by asset category	
Investment Funds (D4)	Q	A	Asset category, geographical area & currency	High profile
Assets (D5)		A	Repos and securities lending	
Assets (D6)		A	Assets held as collateral	

Asset Reporting: Levels



Portfolio

- 1 - Life
- 2 - Non-life
- 3 - Ring fenced funds
- 4 - Other internal funds
- 5 - Shareholders' funds
- 6 - General

Fund number

Applicable to assets held in ring fenced funds or other internal funds (defined according to national markets).

Assets D1



Information on positions held

Valuation method	Acquisition price	Total Solvency II amount	Accrued interest
C0150	C0160	C0170	C0180
A24	A25	A26	A30

Asset ID Code	Asset ID Code type	Portfolio	Fund number	Matching portfolio number	Asset held in unit linked and index linked contracts
C0040	C0050	C0060	C0070	C0080	C0090
A4	A5	A1	A2		A3

Information on assets

23 data items

- Issuer name, sector, group, country
- Currency
- Ratings
- Price, Duration, Maturity Date

Assets D4



This template contains information on the look through of collective investment undertakings, including when they are participations, by underlying asset category, country of issue and currency. The look through shall be performed until the asset categories, countries and currencies are identified. In case of funds of funds the look-through shall follow the same approach.

Information on CIUs

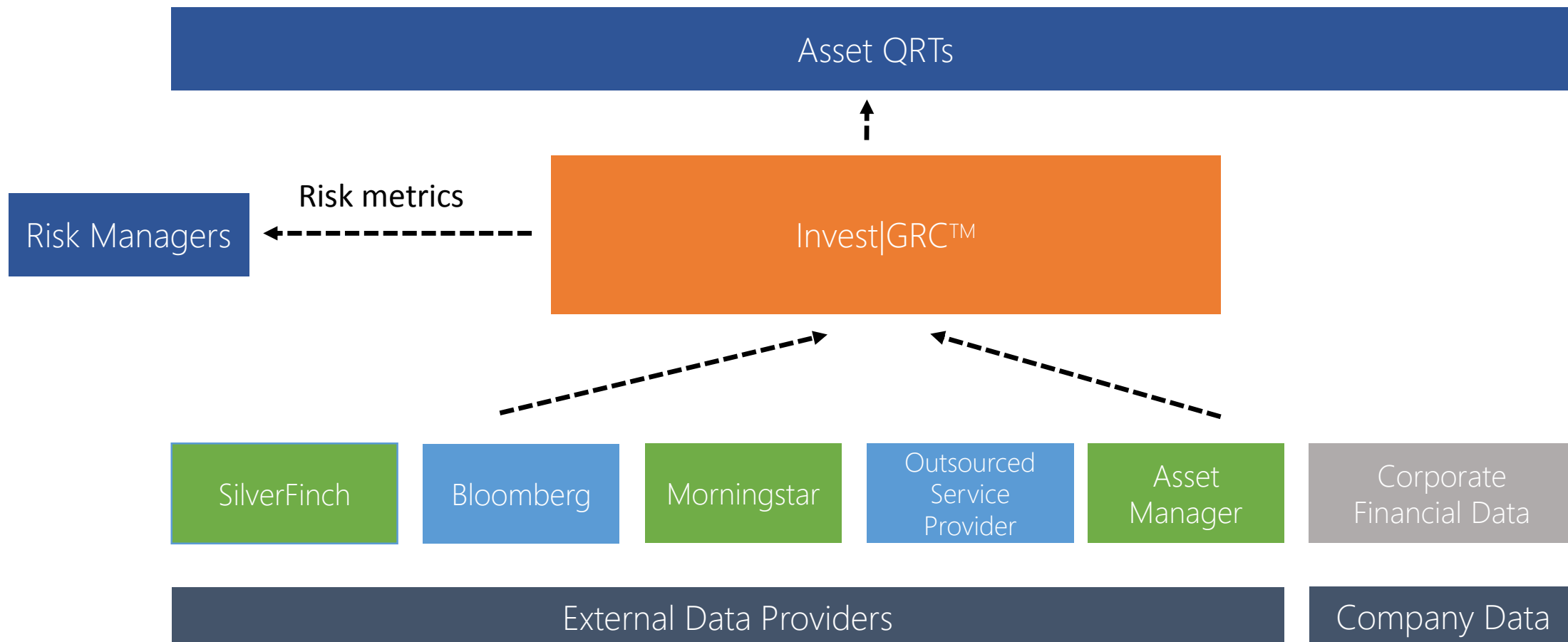
Collective Investments Undertaking ID Code	Collective Investments Undertaking ID Code type
C0040	C0050
A1	A2

Underlying asset category	Country of issue	Currency	Total amount
C0060	C0070	C0080	C0090
A4	A5	A6	A7

Annual is mandatory; quarterly subject to 30% tolerance

Quarterly exemption: What about SCR; risk management & prudent person principle?

Solvency II QRTs





Solvency II Governance Structure

Solvency II

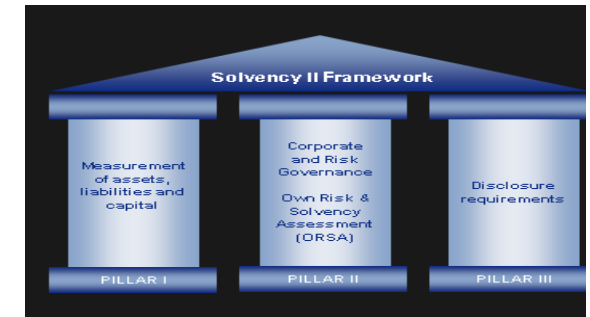


Enhanced system of governance standards

Board will look to RMF and CFO

RMF has multiple GRC challenges

RMF will require technology solution for assets GRC



Appropriate skills and technology tools

Assets governance, risk & compliance



Technology Challenges: Assets GRC – Access to data

Potential to require business process 'disruptive technology'

Unit liability matching

<http://www.actuarialpost.co.uk/article/minimising-volatility-of-solvency-ii-funds-and-reducing-scr-7167.htm>

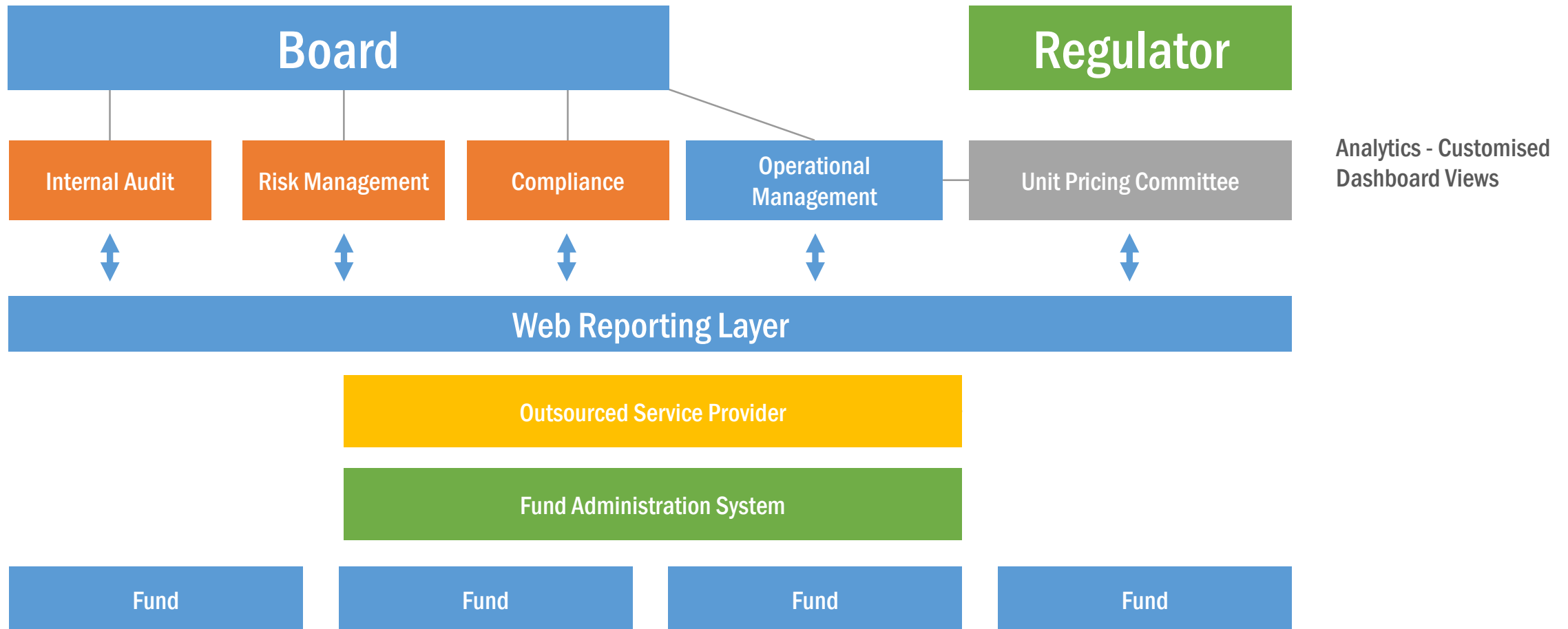
Empowering RMF with appropriate technology tools

Providing RMF with access to assets GRC data

'Know your assets' – Article 132 of S II Directive (IMMMCR)

Litigation risk for U/L companies greatly increased

Governance Structure



Technology Challenges: Assets GRC – Look-through

Solvency II economic substance

Three strands – Pillar 1 SCR calcs, Pillar 2 GRC and Pillar 3 QRTs

Does look-through matter?

Look-through data from asset managers of CIUs

www.frsltd.com

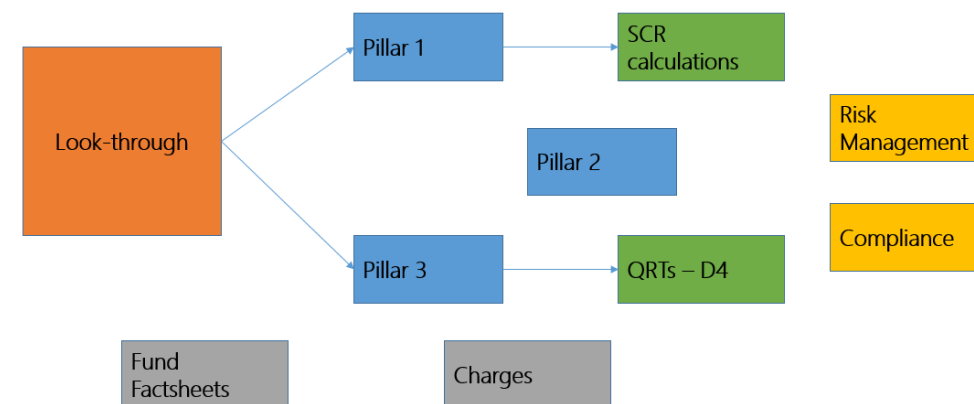
Research Update

February 2015

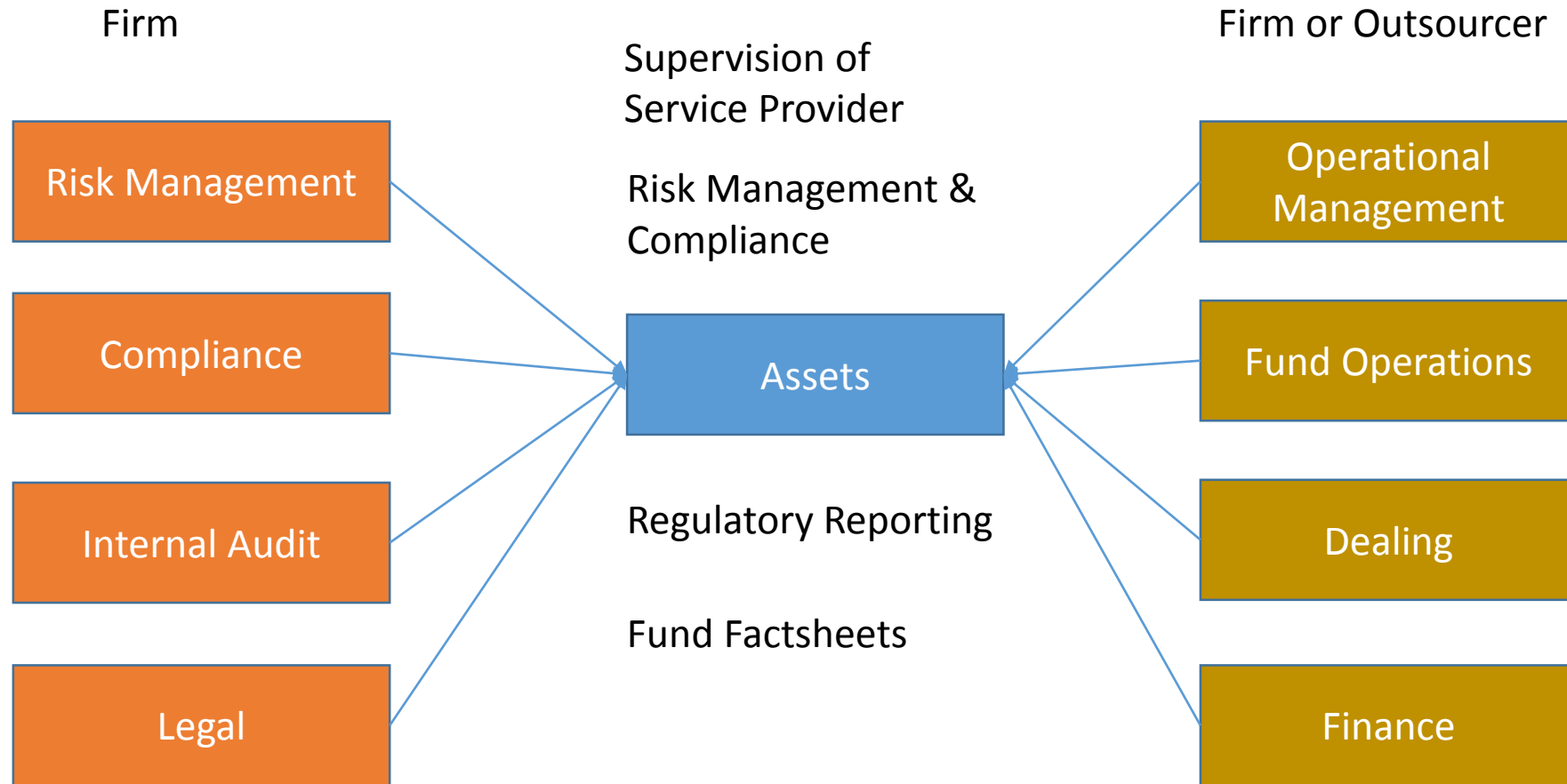
Solvency II asset look through
Challenges & Solutions

'Know your assets' – Article 132

Higher capital for non-compliance



An all-in solution for Assets GRC



It's about access to data; data empowerment; data analytics 18



Conclusions

Questions for Mutuals



Solvency II is on the horizon



A complex set of requirements

But it's ok – we have the technology





Invest | GRC™: For Risk Managers