



## Controlling the Controls – It's all reference data now!

In June 2017 we highlighted the issues regarding "Controls proliferation with firms having in excess of 30,000 controls", we also highlighted the high direct and indirect cost of managing those controls. We have seen minimal progress in the last 12 months to contain the numbers, with the focus still on a reactive response to regulatory demands, versus proactive steps to rationalise the controls inventory.

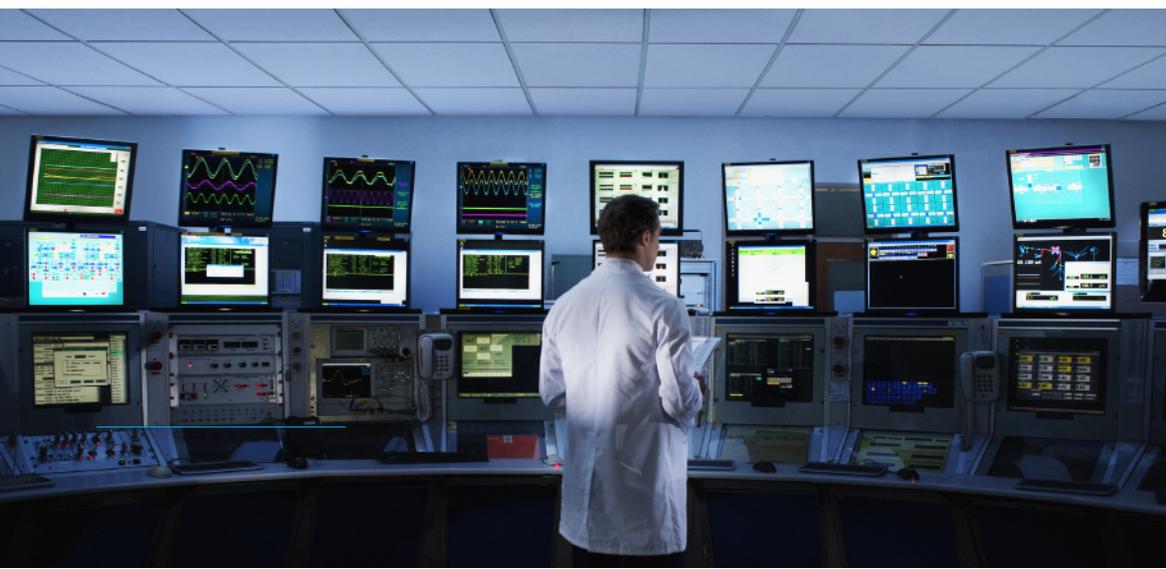
**Acin Insights**

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**Reference data  
for controls**

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The wave of new regulatory demands on the control environment continues uninterrupted. For example in February 2018, the PRA and FCA published papers on Algorithmic Trading and set out their expectations regarding firms' governance and risk management of algorithmic trading. Firms are still reacting to this in assessing and implementing specific controls for these businesses. It is a vicious circle – more controls are added to already inflated and fragmented control inventories.

**Regulators are now also insisting that firms have a single risk and control library and that each control has a unique identifier.** The unique identifier is reference data in the same way that ISIN, CUSIPs and SEDOLS are unique identifiers for Instruments.

**Does your firm have a centralised risk and control library with unique identifiers for each control?**

For Controls how does your firm answer the FCA's Conduct Question 3 "What support (broadly defined) does the firm put in place to enable those who work for it to improve the conduct of their business or function?"

## Who uses the centralised risk and control library?

Senior management are responsible for the all controls being operated within their area of responsibility under SMCR – hence they ultimately own the controls and the associated performance. Usage is shared across the 3 lines of defence.

- Front Office (1LoD)
- Risk Management, Compliance and other corporate functions (2LoD) have their own controls, and assess them via a tyre-kick of more formal controls testing or assurance
- Internal Audit also uses the risk and control library (3LoD) as part of their testing planning and fieldwork. In addition, external auditors will also want to review the library and controls
- Regulators are, in parallel, also assessing the control inventory during regular interactions – e.g. on-site regulatory visit, annual letter from lead regulator – and especially when investigating incidents, such as post Unauthorised Trading events

## What reference data is there in existence today?

Risks & controls data is at present not coherent, not consistent and maintained either infrequently – or not frequently enough e.g. RCSA is refreshed on an annual basis. As an example, there are various global banks with control inventories without:

- Unique identifiers
- Limited standardisation e.g. risk hierarchy as free text and not a standardised set of risks
- Cross-functions/businesses/regions without recognisable identifiers for risks & controls
- Governance on maintenance of data sets e.g. new risks added, new controls added with limited review/challenge

## What are the key benefits of switching risk & control data into reference data?

- Common, Standard library across all 3LoD enhances efficiency
- Mark-to-market vs Standard, identifying control gaps
- Ability to identify duplicate, redundant controls, providing an objective basis to effect control rationalisation leading to cost reductions
- Consistent, comparable MI across businesses and functions – avoids time/cost to ‘manipulate’ data to enable comparison
- Quantitative control performance indicators facilitate measurement, monitoring and evidencing of control effectiveness
- Standardised data enables greater automation including regulatory reporting and reduction of costs
- Ability to ‘look-across’ businesses and allocate capital based on control effectiveness
- Central source/checkpoint for control gatekeeping (controlling the controls)
- Updates on new control additions/changes – self healing
- Control standardisation at Industry level via Industry level Unique Control identifiers
- Reduce periodic consulting spend
- Helps answer Q3 of the FCA 5 conduct questions

## No centralised risk and control library – how bad can it be?

You are unlikely to be compliant with current regulations or future proofed for new regulations. Without centralised and consistent reference data your MIS and data analytics will not be fully accurate and will require additional effort. Management decisions may then be based on flawed data – using a speed dial view from last month to monitor today’s speed. Risk systems will be inefficient and there is increased risk of gaps in processes through miscommunication and interpretation. Your costs will be higher in operating the controls, systems and data governance.

## The wheel has already been invented

Acin has built the first ever Standard Library of Risks and Controls. It is based on the BASEL framework, with common business and risk taxonomy and standard control metadata including quantitative metrics and industry level identifiers (ACIN). It provides the key controls needed for your business, defining what ‘good’ looks like.

## If you have no centralised risk and control library

If you have not yet achieved a centralised risk and control library, we can get you to the finish line very quickly - it takes weeks not years.

## If you have no unique identifiers

ACINs are unique identifier for Controls. We can rapidly implement this proprietary solution for you.

## Controls Proliferation – Cost Savings & Improved Risk

A centralised risk and control library with unique identifiers immediately highlights control overlaps and redundancy. If those unique identifiers are the industry standard ACINs, then it also highlights control gaps, further strengthening your risk and control library and environment and answers the FCAs Conduct Question 3 – “What support (broadly defined) does the firm put in place to enable those who work for it to improve the conduct of their business or function?”

## Benchmarking

We can benchmark your existing risk and control library against our standardised database and highlight your control overlaps and gaps.

**We believe we can save up to 40% of your current controls operating costs with a centralised library using ACINs that are synchronised to the industry standard.**

## About Acin

Acin is the world's leading risk and control data standards, benchmarking and controls data analysis company. Acin enables financial institutions to access standardised controls data seamlessly, allowing agile data-driven risk management and decision-making. It relies on a centralised database of control designs smart-mapped to the risks faced by each individual business or function within the organisation.

Financial institutions are connected together in a network that complements each firm's existing 3 lines of defence and continuously curates new risks and controls data, offering the highest degrees of protection at an industry level. Acin sets the standard for the industry, unlocking the full value of controls data for our clients.

With offices in London and New York, our clients include some of the world's largest financial institutions. Acin has been recognised as one of the most innovative Regtech companies in 2019. To learn more visit [www.acin.com](http://www.acin.com).

## For More Information...

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