



## CASE STUDY

# How a fixed income broker-dealer brought its FINRA TRACE reporting back on track

### The challenge

A global fixed income broker-dealer had received multiple regulatory fines totaling almost USD \$500,000 due to late or inaccurate FINRA TRACE reporting.

### Results

- Clear visibility of source and reported data in one solution.
- Reconciliation and identification of late trades and patterns, in real time with automated matching.
- 86% reduction in late reporting rates.

### The solution

Gresham's Connect, which provides financial institutions with fully managed intelligent connectivity to trading partners, clients, regulators and other venues across the financial services ecosystem, delivered transaction reporting and submission through to the regulator whilst addressing the eligibility, validation and reconciliation of TRACE-eligible securities.

*"The findings stated that the firm failed to provide evidence that it enforced certain aspects of its Written Supervisory Procedures (WSPS) concerning the timeliness of trade reports submitted to TRACE. Specifically, the WSPS provide, in part, that supervisors must review weekly TRACE reporting statistics and the monthly TRACE report card to identify and escalate issues and implement remedial action as needed.*

*The firm, however, did not review the TRACE reporting statistics for its MPID during the review period. The firm also failed to provide any evidence of corrective actions taken to remediate its pattern of late trade reporting to TRACE "*

Source: FINRA monthly disciplinary actions

With the threat of further fines looming, the firm saw a strong business case for investing in a dedicated reporting service that understands business trading activity to report more intelligently.





## Fines and disciplinary action: A regulator losing patience

A global fixed income broker-dealer had received multiple regulatory fines due to late or poor quality FINRA TRACE reporting. Unable to identify the failures, patterns and corrective actions required, TRACE reporting statistics were not being reviewed and escalated, and the firm was unable to demonstrate that it had acted to correct its persistently late reporting.

The problems had arisen in part because the firm was reliant on a black-box add-on provided by its Order Management Solution (OMS). With the threat of further fines looming, the Global Head of Fixed Income, Front Office Technology felt that there was a strong business case for a dedicated reporting service that understood business trading activity to report more intelligently.

## From black box to full visibility

Connect for regulatory was selected for its proven track record of connectivity and integration with the firm's existing OMS. Many of the use cases supported also had real-time low latency requirements and

the 15-minute reporting window required for corporate bonds made it vital that the solution chosen could address the timeliness challenge.

Connect provided the firm with the flexibility to use their business rules when reporting. Improving reporting quality is an iterative process that requires a degree of customisation, not a static solution. This is the exact opposite of how black-box reporting solutions work.

## Timely, accurate reporting delivered through increased control

Today, Gresham's Connect manages the firm's fixed income reporting to FINRA TRACE in one simple solution.

Previously both the regulator website (TRAQS) and the firm's OMS terminal needed to be used to view source and reporting data sets. Now, the team has full visibility in the same solution, increasing control, reducing error rates, and simplifying reporting.

Demonstrating improved supervisory procedures and controls to the regulator is addressed through reports and analytics that validate reporting fields and activity. Eligibility rules make use of both regulator and OMS security master data to ensure accuracy and timeliness.

Reconciliation and identification of late trades and patterns is now visible to compliance and operations teams in real-time with automated matching. Visibility of alleges from counterparties and suggested matches that weren't available from the incumbent has also brought value to the reporting process, enhancing oversight to ensure that the firm stays on the right side of the regulators.

**Improving reporting quality is an iterative process that requires a degree of client specific customisation, not a static solution. This is the exact opposite of how black-box reporting solutions work.**