

QFC

Qualified Financial Contracts

KEY BENEFITS

DATA DICTIONARY HOUSES
ALL QFC COUNTERPARTY
RELATED INFORMATION



DATA VALIDATION AND
INTEGRITY CHECKS
SPECIFICALLY SUPPORT
QFC FILING AND
RECONCILIATION



ON-DEMAND GENERATION
OF A QFC FILING INCLUDES
A PRE-PROCESSING
STEP FOR REVIEW,
RECONCILIATION AND
SIGN-OFF



TREND ANALYSIS AND
PORTFOLIO COMPOSITION
OF COUNTERPARTIES ON A
DAILY BASIS

In order to assist the Federal Deposit Insurance Corporation (FDIC) in resolution of financial institutes that enter solvency, the U.S. Secretary of the Treasury issued Rule 148 which significantly expands impacted institutions and the depth of required recordkeeping. Now systemically important financial institutions (SIFIs) meeting QFC size criteria and qualifying as a “record entity of financial company” are required to keep meticulous records and be able to report on their end-of-day QFC books in specific formats within 24 hours of an FDIC request. Reporting entities (REs) have equal to or greater than \$50 billion in total consolidated assets, and, either total gross notional derivatives outstanding equal to or greater than \$250 billion, or derivative liabilities equal to or greater than \$3.5 billion. Troubled institutions also are covered under revised Rule 371.

CHALLENGES

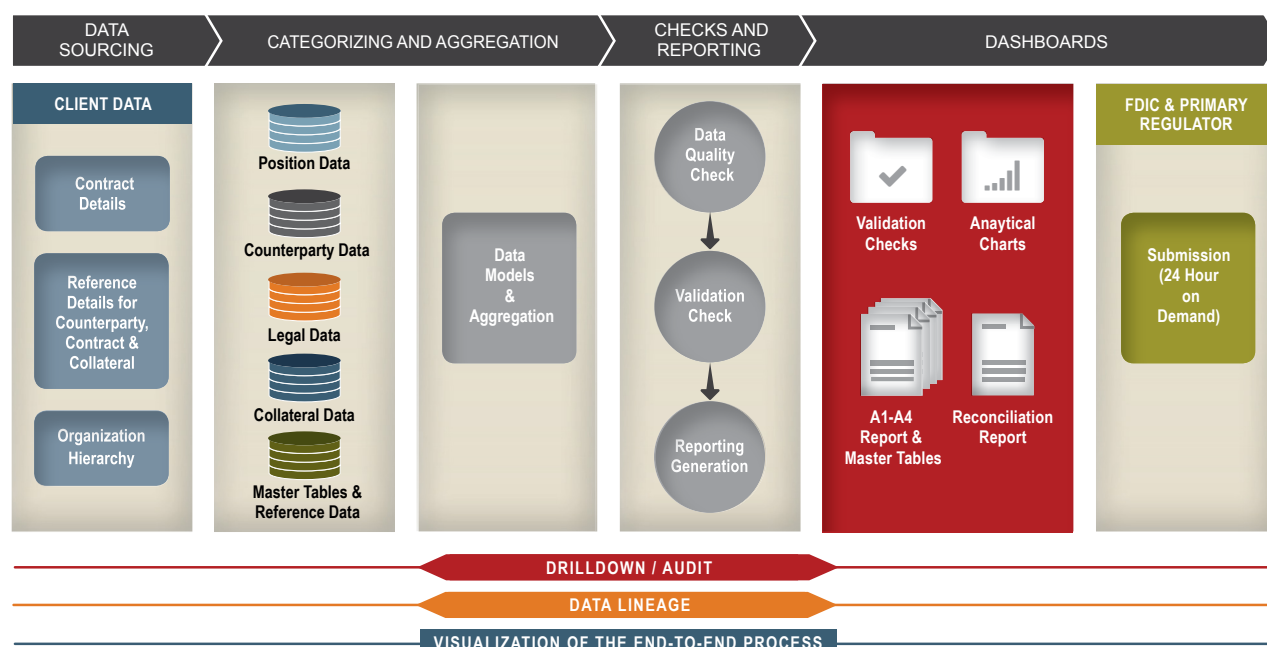
Given the complexity and size of a daily QFC book and the depth of the new requirements, REs may struggle to be prepared on time -- the first two (of four) waves go live in June and December 2018. REs face major challenges, including:

- **Scoping and integrating atypical data from disparate sources.** The rule requires identification of QFC position/transaction-level data encompassing collateral, counterparty and agreement details to be maintained in four inter-related tables. It also requires maintenance of four master tables that cleanly identify all participants in the QFC. REs need to locate and electronically centralize 128 data points -- as many as 75% of which may reside in contracts, collateral documentation, guarantees, netting agreements, etc., information that REs may not typically digitize.
- **Handling the volume of daily data.** QFC books easily comprise a few million records. The rule requires REs to collect and integrate data points from very large record volumes and to be capable of reporting on each end-of-day book.
- **Standardizing and validating the data.** REs must conform disparate data to the rule’s definitions. They must ensure the data is complete, checked, and meets 60 specific validation requirements.
- **Achieving a 24 hour reporting response stance.** The REs must maintain daily recordkeeping so they can generate the required four reports with four master tables within 24 hours of an FDIC request for that day’s end-of-day QFC book.

AXIOMSL’S SOLUTION

Speed to readiness, scoping and continuing compliance. By adopting AxiomSL’s solution, REs can meet the QFC rule requirements for recordkeeping and reporting speed and accuracy, with virtual out-of-the-box implementation. Skilled in working with clients facing new and complex requirements such as the QFC rule, AxiomSL’s regulatory and data-management subject-matter experts offer scoping consultation and practical guidance that can speed implementation,

QFC Reporting Solution



and facilitate REs in addressing related issues such as identifying qualified contracts, monitoring affiliates covered status ongoing and leveraging new QFC data for other uses. Post implementation, AxiomSL maintains the solution with timely updates to reflect ensuing regulatory-driven requirements.

Timely and accurate daily output, in the correct formats. The system populates the four required reports (A1: position/transaction-level details; A2: counterparty level aggregated exposure; A3: information on QFC-related legal agreements, A4: collateral information supporting counterparty details), and maintains the four required master tables that provide detail on corporate organization including affiliates, counterparties, booking location and safekeeping agents. Should the FDIC request a submission, the system enables the RE to report out within the 24-hour window.

Robust and data-driven. Its QFC framework sits on AxiomSL's award-winning, high-performance data-driven platform. A hallmark of the platform is its capacity to handle the large daily record volume inherent in a QFC end-of-day book. The platform is designed to ingest the disparate and often atypical data that REs must identify and electronically centralize from multiple and various sources.

Seamless from data ingestion to report output. AxiomSL's data models facilitate standardization of the required data and aggregation of transactional-level data. Once data is sourced, standardized and integrated, the solution performs rigorous checks: first to ensure data integrity on the 128 required data points, then to ensure all 60 validation requirements are met.

Transparent. AxiomSL's signature dashboard technology offers an inspection window into the entire process. Its built-in analytical charts and trend reports enhance the RE's ability to monitor, understand, trace, investigate and address gaps or errors. The system produces gap and failure reports and reconciles position- and counterparty-level data. At any point in the process, the RE can drill-down and drill-back to each data-point's origin, a mission-critical capability for REs faced with drawing disparate data from various sources.

KEY FEATURES

- DEFINES THE TAXONOMY OF THE REQUIRED DATA ATTRIBUTES BY QFC PRODUCT
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- INGESTS SOURCE DATA ACROSS MULTIPLE SYSTEMS
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- AGGREGATES POSITION-LEVEL DETAIL TO GENERATE COUNTERPARTY-LEVEL EXPOSURES
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- VALIDATES POSITION AND INTERRELATIONSHIP DETAILS
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- RECONCILES BETWEEN POSITION- AND COUNTERPARTY-LEVEL DATA
-
- GENERATES VALIDATION CHECKS FAILURE REPORT
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- AXIOMSL DASHBOARD TECHNOLOGY FACILITATES IN-DEPTH ANALYSIS