COMPLIANCE TECHNOLOGY: TRENDS AND INNOVATIONS

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LINEDATA
EMPOWERING ASSET MANAGERS WITH TECHNOLOGY, SERVICES AND DATA SOLUTIONS

Seattle

Chicago
Toronto
Boston
Greenwich
New York

Edinburgh
Dublin
Oxford
London
Luxembourg
Paris
Madrid
Casablanca
Tunis
Riga

Ahmedabad
Mumbai
Chennai
Hong Kong

1,300+ people

200m revenue

20 offices

Linedata Compliance footprint

25+ separate jurisdictions

20 years creating compliance tools and workflows

More than 60 global clients

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OVERVIEW

Compliance: Why is it Important?

Compliance as a business enabler

ESG

Decreasing the Compliance Burden

Machine learning & data analytics

Compliance as a service

Conclusion

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COMPLIANCE – WHY IS IT IMPORTANT?

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BUILDING TRUST

- Keep to your word and follow through with your actions

- Communicate effectively

- Always be honest

- Admit your mistakes

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HOW TO REACT WITH COMPLIANCE

- Strong mandate Compliance

- Fact Sheets that report breaches as well as performance

- Ability to show full compliance audit

- Telling clients what went wrong and how it was corrected

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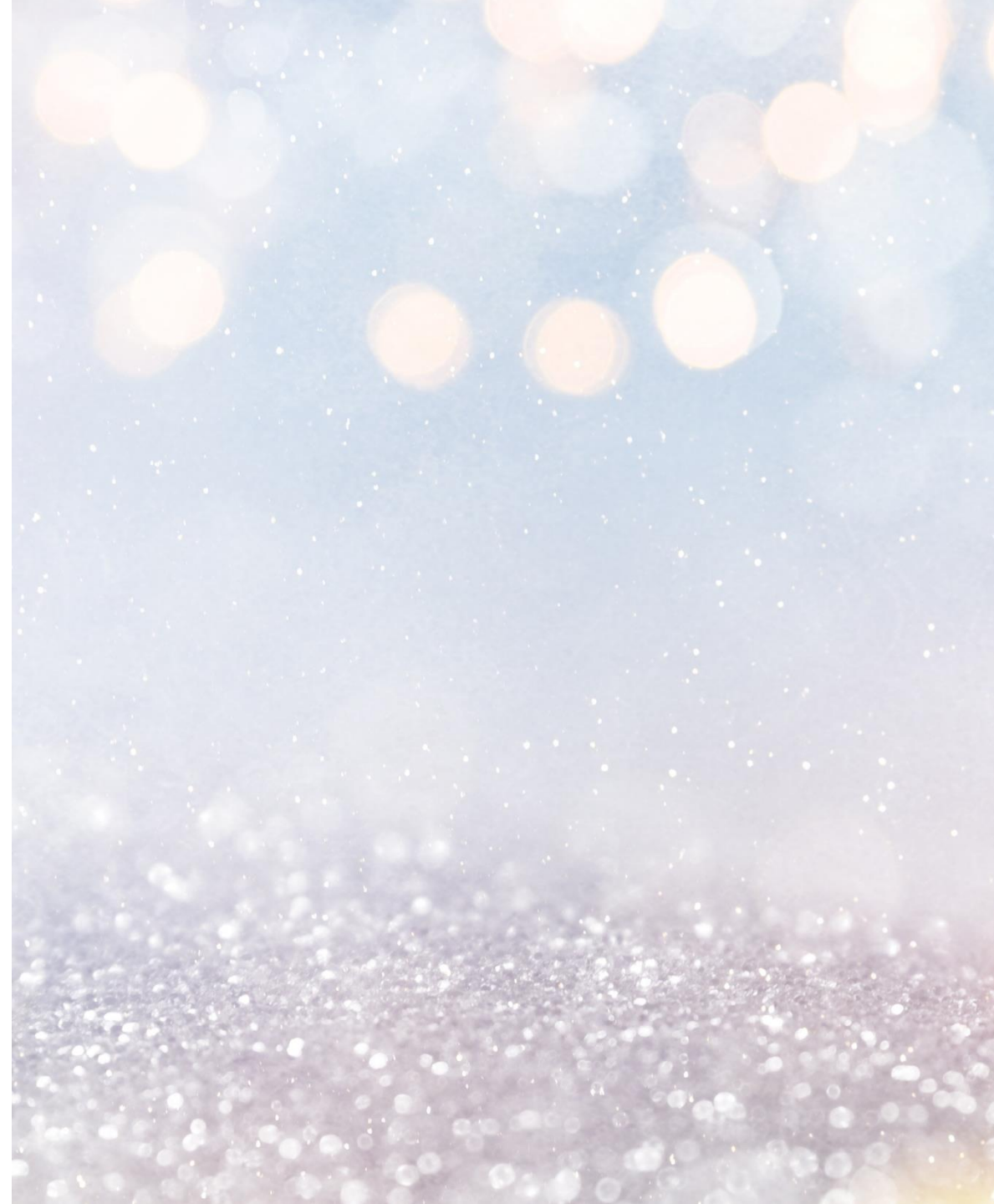
COMPLIANCE AS A BUSINESS ENABLER

COMPLIANCE AS A BUSINESS ENABLER

- Builds TRUST in an organisation

- Helps companies avoid SCANDALS

- ENABLES the launch of innovative products

- INTEGRAL in the running of funds in the fastest growing strategies

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CASE STUDY ESG

CASE STUDY ESG

Professionally managed assets in the United States (US$ trillion)

- 2012: $33.3 (Non-ESG Mandated $29.6, ESG Mandated $3.7)
- 2014: $36.8 (Non-ESG Mandated $30.2, ESG Mandated $6.6)
- 2016: $40.3 (Non-ESG Mandated $31.6, ESG Mandated $8.7)
- 2018: $46.6 (Non-ESG Mandated $34.6, ESG Mandated $12.0)
- 2025: $69.0 (Non-ESG Mandated $34.5, ESG Mandated $34.5)

Share of ESG assets in overall professionally managed assets in the United States

- 11%
- 18%
- 22%
- 26%
- 50%

Deloitte Insights 2020

- 16% annualised growth in
  Deloitte

- US growth attributable to ESG investment
  Deloitte

- 9.3% annualised growth in Europe to 2025
  PWC/ALFI

ESG Mandated

Non-ESG Mandated

COMPLIANCE AS A BUSINESS ENABLER: CASE STUDY ESG
ESG – GLOBAL MARKET TRENDS

Covid-19 Impact

Scenario One

Financial volatility causes a retrenchment into traditionally "safe" investments at the expense of ESG

Scenario Two

Focus on "non-financial risks" speeds the adoption of ESG consideration in investments

Conclusion: Scenario Two is more likely

- Relatively strong performance of ESG assets (BAML study)
- Seminal moment for younger generations who fuel the ESG agenda. Anecdotal evidence: 30% increase in Ford Motors when they announced they would make ventilators.
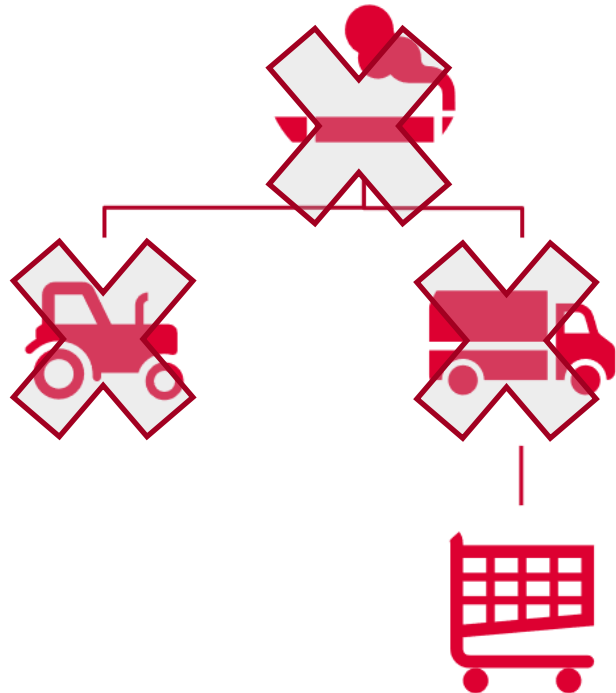
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COMPLIANCE AS A BUSINESS ENABLER: CASE STUDY ESG
EXAMPLE: NO EXPOSURE TO TOBACCO

SECTOR EXPOSURE

Tobacco	**FAIL**

MAXIMUM 20% EARNINGS FROM TOBACCO

Tobacco co.	**FAIL**
Agri Co.	**FAIL**
Logistics co.	**FAIL**
Retail Co.	**PASS**

DECREASING THE COMPLIANCE BURDEN

A/P	Case Id	ATOP	Rule	Days Open	Error Level	Missing Data	Owner	Name	Reviewed	Status	Worst Ever
			Prohibit Investments where Issuer Market Cap < 5000000000					Acct1			
Active	14316	No	Security - LTRPA.US	8	Fail	No	<Unassigned>	Acct1	No	NoAction	Fail
			Prohibit Investments where Issuer Market Cap < 5000000000					Acct2			
Active	14307	No	Security - LTRPA.US	8	Fail	No	<Unassigned>	Acct2	No	NoAction	Fail
			Prohibit Investments where Issuer Market Cap < 5000000000					Acct3			
Active	14341	No	Security - LTRPA.US	8	Fail	No	<Unassigned>	Acct3	No	NoAction	Fail
			Prohibit Investments where Issuer Market Cap < 5000000000					Acct4			
Active	14314	No	Security - LTRPA.US	8	Fail	No	<Unassigned>	Acct4	No	NoAction	Fail
			Prohibit Investments where Issuer Market Cap < 5000000000					Acct5			
Active	14389	No	Security - LTRPA.US	8	Fail	No	<Unassigned>	Acct5	No	NoAction	Fail
			Prohibit Investments where Issuer Market Cap < 5000000000					Acct6			
Active	14397	No	Security - LTRPA.US	8	Fail	No	<Unassigned>	Acct6	No	NoAction	Fail
			Prohibit Investments where Issuer Market Cap < 5000000000					Acct7			
Active	14413	No	Security - LTRPA.US	8	Fail	No	<Unassigned>	Acct7	No	NoAction	Fail
			WAV-Weighted Average Market Cap					Acct8			
Active	55003	No	Weighted Average Market Cap	7	Fail	No	Justin Ryder	Acct8	No	NoAction	Fail
Passive	55004	No	MISSING DATA	7	Fail	Yes	Nic Tuttle	Acct8	No	Open	Fail
			Max 15% in any single Issuer (excluding cash)					Acct10			
Passive	29228	No	Issuer - Stone Energy Corp	7	Fail	No	Stephen DeRoche	Acct10	No	Open	Fail
			Max 15% in any single Issuer (excluding cash)					Acct1			
Passive	30203	No	Issuer - Blackrock Inc	7	Fail	No	Nic Tuttle	Acct1	No	Open	Fail
			Max 15% in any single Issuer (excluding cash)					Acct2			
Passive	31127	No	Issuer - Stone Energy Corp	7	Fail	No	Nic Tuttle	Acct2	No	Open	Fail
			Max 15% in any single Issuer (excluding cash)					Acct3			

Account Name

All

10	5	1.37	17.20
Active Breaches	Avg. number of breaches	Avg. time to resolve (Days)	Avg. Number of Rules

Number of Breaches by Account

Top breaches by Security

Security	Breaches
IBM	4
GOOGL	3
YHOO	3
STT	2

Breaches by rule type

● By Issuer ● By Benchmark ● By Concntration

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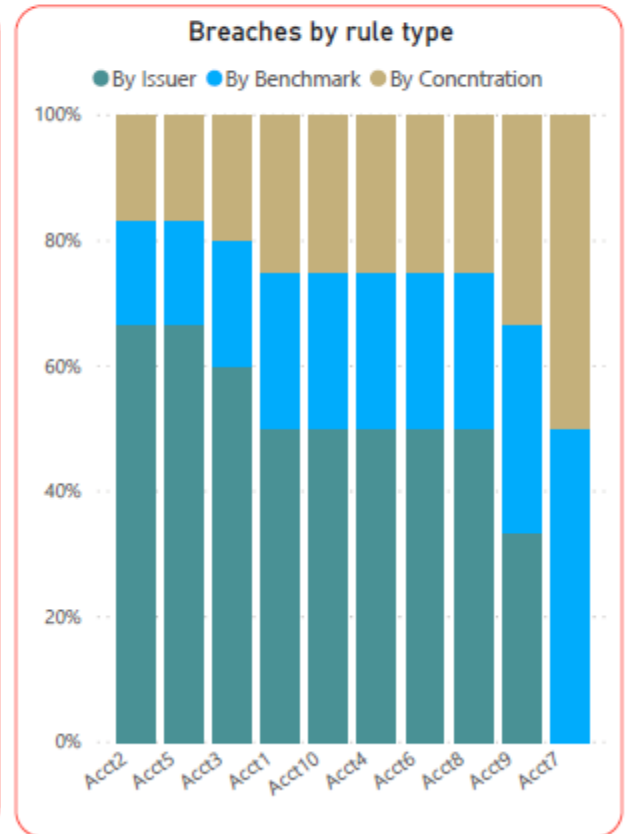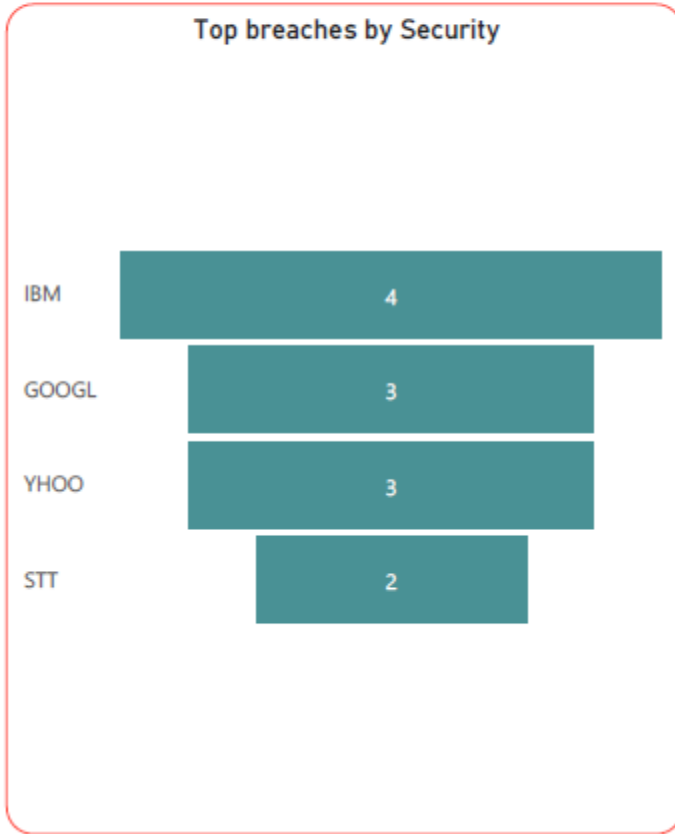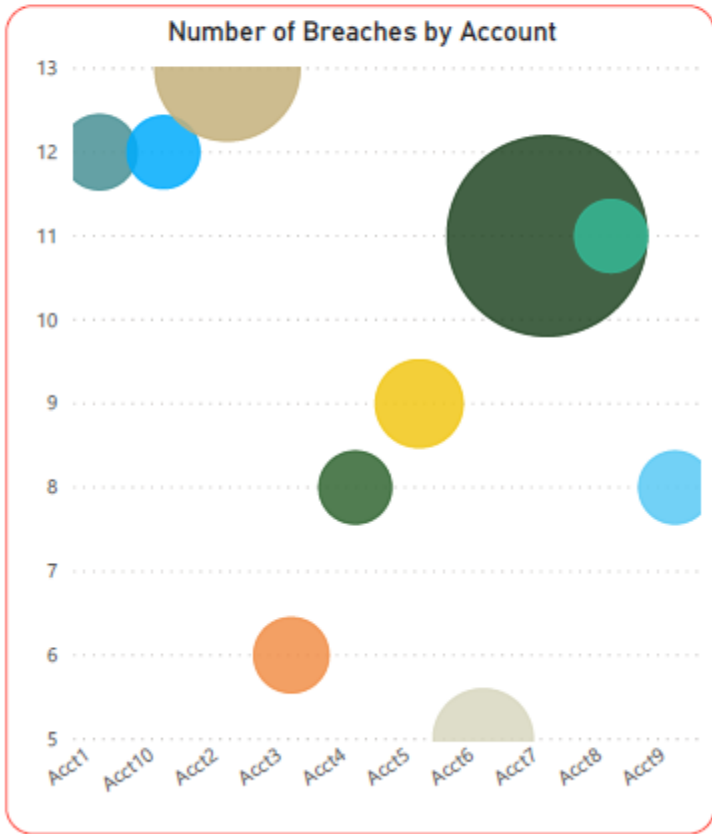
EFFECTIVELY DEALING WITH TOO MUCH INFORMATION

- Machine Learning in the compliance function

- Learning how breaches were successfully CORRECTED

- ANALYSING why soft breaches move to hard breaches

- PRIORITISING breaches based on past risk

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AUTOMATING RULE CREATION

- Machine Reading in rule creation

- Automated READING of prospectus

- INTERPRETATION of mandate information

- CREATION of compliance rules

- REDUCE time and risk

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COMPLIANCE AS A SERVICE

- Flexible and Scalable

- Rules Setup & MAINTENANCE

- Rules Configuration AUDIT

- Start of Day/End of Day/ Intra Day

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CONCLUSION

- Compliance is not there to stifle creativity or restrict opportunity

- Its key function is to build trust in your organisation and products.

- Strong compliance enables companies to chase mandates and prove to clients that you deliver on your promises.

- Delivery can be through traditional technology, a new wave of Machine Learning or a bespoke service model.

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![Linedata logo]

THANK YOU FOR YOUR ATTENTION