



SIGNAL

## Shareholding Disclosure Case Study

Signal offers global coverage, flexible aggregation and customized warnings when your holdings are approaching a threshold.



Compliance Solutions Strategies

The standard in regulatory compliance

## Case Study

Signal is CSS's solution for shareholder disclosure notification requirements globally. It tracks threshold violations and generates disclosures based on market-enriched customer holding, security, portfolio and trade data. Signal's substantial shareholding solution covers long, short and takeover panel reporting across 90 jurisdictions globally. Signal's client base includes traditional and alternative asset managers, as well as insurance companies and other asset owners.



### The Client

In early summer 2018, CSS was approached by a United States-based, multi-asset manager (the "Client") that was searching for a solution that would help monitor its securities holdings and track its substantial shareholder obligations globally. Through conversations with the Client's lead compliance officer, CSS learned that this organization found itself at a stage familiar to many investment managers: a period of rapid growth. With its launch of subsidiary asset management companies in Asia and in the United Kingdom, the Client faced the following challenges:

#### New regulatory frontiers

The Client's investment and trading activity was now occurring with more frequency, and in countries in which it had never made regulatory disclosures. To ensure timely and accurate filings, the Client had to research and analyze the relevant regulations and guidance in each of these new jurisdictions. Aggregation requirements were particularly challenging for the Client: how were its securities holdings across various Client entities required to be added up for reporting purposes? Another pain point it sought to cure was navigating the procedures required to be followed when submitting a notification to a regulator upon the triggering of a threshold filing obligation.

#### Harmonization of Global Oversight across locations

With the opening of a new offices in Europe and in Asia, the Client sought to apply consistent methods to evaluate and aggregate its positions globally, and establish communication protocols to preserve the independence of each office that represented a management firm with its own investment discretion.

## Increasingly complex investment structure

The Client operated trading vehicles with both internal portfolio managers and third party sub-advisers, and, additionally, needed its shareholding monitoring system to handle its current state and future state upon its Asian manager coming on board and its European office beginning trading activity.



### The Solution

CSS's Client Delivery team, Best Practices team and Signal product team – in close coordination with the Client's compliance, trade support and IT teams – crafted a strategy that would utilize key Signal attributes to address these challenges:

## Harmonization of Global Oversight across locations

### Solution: Normalize data while establishing sub-environments

The first step fell to the Client: producing a readable, end-of-day data file across its entities, which Signal would handle from there. CSS's Implementation Team assisted in the following ways:

- Providing a data dictionary and validating the Client's holding and security reference data against this
- Running further validation checks to ensure integrity and consistency of the Client's data and naming conventions
- Configuring Signal to translate non-standard values present in the Client's file into system-recognizable values
- Helping the Client set up a daily workflow to send through and process their positions in a timely manner

Next, to ensure that harmonization did not come at the cost of independent investment discretion, CSS created separate sub-environments for the Client's Asia and UK entities, to add to the US environment for the global entity. That step helped the Client achieve its desired protocols for independence between its three regional managers, while simultaneously providing each compliance manager with comfort that its calculations and raw data interpretations were consistent across regions.

## New regulatory frontiers

### Solution: Leverage CSS Best Practices

As the Client's compliance team began its due diligence for each jurisdiction, which included understanding aggregation requirements as well as completing local registrations for reporting purposes, CSS's Best Practices team assisted in mapping out these regulatory obligations. An in-house team

## Tight reporting deadlines

The Client would now be investing in a wide range of jurisdictions, with very short deadlines imposed for threshold disclosures. Therefore, it needed a solution that could reduce its time spent on preparing these notifications, all while customising the disclosures for its different investment management offices globally.

of compliance experts, former securities attorneys and fund accountants, CSS Best Practices serves as a repository of regulatory knowledge for compliance and reporting purposes globally, and was therefore well-placed to provide substantial value to this particular Client facing new regulatory challenges.

CSS scheduled working sessions with the Client to help with its aggregation-based calculations according to regime, from the EU Short Selling Regulation, to the SEC's 13G and 13D requirements in the USA, to Hong Kong's short position reporting regimes. The CSS Best Practices team also provided step-by-step guides to filing procedures in each jurisdiction. With such requirements often divergent across jurisdictions – for example the Client's obligations in Germany differed greatly from what it had to undertake in the Netherlands, when it came to registering as a reporting shareholder – the Client found that the CSS working sessions and filing guides proved critical to its successful navigation of the regulations.

## Increasingly complex investment structure

### Solution: Employ Signal rule variations and dynamic aggregation scenarios

One of the key challenges the Client voiced from the outset was its changing investment structure. It included both internal portfolio managers (positions disclosable globally) and third party sub-advisers (positions disclosable only in certain jurisdictions). Signal was well-equipped to handle this with its "custom rule variation" feature: the ability to exclude or include managers' holdings, based on jurisdiction or regulatory regime. In the course of a single development cycle, the Client's custom variations became part of its profile.

Signal's flexible aggregation logic also proved valuable, allowing the Client to aggregate holdings across its managers as it saw fit according to regulatory requirements. Additionally, with the ability to set up and manage dynamic investment hierarchies, Signal could quickly make adjustments as new Client entities formed and began trading.

## Tight reporting deadlines

### **Solution: Enable quick and customizable regulatory filings**

Facing short deadlines for reporting – in some cases the next day after crossing a threshold – in an increasing number of jurisdictions and regulatory regimes, the Client needed a solution that could help it complete its disclosures rapidly and accurately. To address this need Signal enabled its “notification” functionality for the Client, whereby the regulator’s prescribed template, the Client’s position data,

the Client’s investment structure where applicable, and other relevant data could combine within Signal to immediately generate a pre-populated notification form for Client use. The Client could then approve or change the form as desired, consult with the CSS Best Practices team about filing practices if necessary and submit its filing to the relevant regulator well in advance of its filing deadlines. For the Client, this Signal attribute significantly reduced the lead time for completing its disclosure obligations, and essentially opened up a wider range of markets in which it could invest with confidence.



### **The Future**

CSS’s high-touch method of engagement does not end following a successful implementation. Our Client Services team, based in both Europe and North America, continually collects client feedback, prioritizes new tasks based on client need, and liaises with the Product team to incorporate the improvements into Signal’s development roadmap. New features and updates to the software occur throughout the year, with recent enhancements including wider coverage of special thresholds for issuers in “sensitive industries.” Among Signal’s upcoming features are an investment structure setup that is even more dynamic, user-based dashboards, and intelligent workflow. In this particular case, the Client experiencing current growth as well as the potential for further expansion at a rapid pace, found in Signal a solution that would not only satisfy its current demands but also keep up with its future growth.

Regulatory Reporting  
Regulatory Data Management  
Trade Monitoring & Analysis  
Compliance Services

## **The standard in regulatory compliance**

**CSS uniquely brings together innovative technology-driven solutions to support financial services firms in navigating a clear and strategic path through the complex and overlapping regulatory requirements they face globally. Our services cover a full range of compliance disciplines spanning regulatory reporting, regulatory data management and distribution, post-trade monitoring and analytics, and compliance management and best practice.**

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