



## CASE STUDY

# Shareholding Disclosure

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How we helped a global  
asset management firm  
under the scrutiny of its internal  
audit department



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## Introduction

Shareholding disclosure monitoring and reporting is extremely challenging for investment firms, with more than 400 different and continually changing rules to interpret across more than 95 jurisdictions. Manual processes are still often used despite being ineffective which can result in the risk of regulatory sanctions for late or incorrect disclosures.

Kaizen Reporting's automated monitoring and reporting system removes this burden for firms. We are highly experienced in this niche area with a proven track record of helping investment firms solve their regulatory challenges.

## The challenge

The internal audit department of a global asset management firm ('Asset Manager') identified considerable inefficiencies in its Compliance Department's disclosure processes, including an ageing internal system, lack of country coverage and an absence of understanding of the rules.

The Asset Manager instructed one of the large global consultancy firms to do a review of their processes. However, they could not assist with the resolution of the actions resulting from the review. Subsequently the head of the Compliance Department approached us to provide a solution to the issues. They contracted with us for the provision of our global Shareholding Disclosure Service (SDS). They made it clear that they required us to interpret and apply the rules on their behalf, as they had no internal expertise in this niche area.

## How we solved it

### STEP 1: ANALYSIS

Our specialists began by conducting an analysis similar to that of the consultancy firm; however, we applied our in-house experience and expertise of shareholding rules to the review. We drew very different conclusions about their monitoring and reporting deficiencies and also how they would rectify the problems. It soon became clear to the client that we had the relevant experience required to help resolve the issues they were encountering.

Our analysis showed a number of issues:

- ✓ The current internal system was not fit for purpose
- ✓ Lack of underlying shares available in the data for aggregation purposes
- ✓ Different data formats between legal entities
- ✓ A number of positions held had not been reported, yet were subject to regulatory disclosure
- ✓ No system for monitoring their group wide obligations.



## STEP 2: REVIEW OF POSITIONS

Using one day's worth of data, we determined the Asset Manager had 143 aggregated positions which were at a disclosable level under the major shareholding thresholds. These positions had not been previously disclosed to the relevant regulators.

**The possible sanctions for non-disclosure vary from regime to regime. They include but are not limited to:**

- Criminal prosecution or imprisonment
- Mandatory takeovers
- Loss of voting rights
- Share suspension or regulator-imposed trading restrictions
- Unlimited fines
- Short swing profit rules
- Regulatory censure
- Reputational damage
- Individual personal liability.

## STEP 3: THE SOLUTION

Our experts worked closely with the client to manage the rectification of the reporting failures, resulting in the avoidance of any regulatory censure.

Within a short timeframe we were able to resolve the client's internal audit issues, reduce their exposure to censure and put in place a robust process for future compliance with global shareholding rules.

The following support was provided:

- ✓ Project Management support of the client's internal data project
- ✓ Analysis of their internal data
- ✓ Analysis of their corporate structure, applying the rules and exemptions appropriately
- ✓ Documented rule interpretation for each country and rule type
- ✓ Training of the Disclosure team
- ✓ Automated processing of their data against the relevant disclosure rules via our Shareholding Disclosure System
- ✓ Assistance with managing the relationship with the regulator for those previously omitted disclosures
- ✓ Continual updates to shareholding rules.

## The Result

The outcome was extremely positive. The following year the Asset Manager was awarded a clean audit and more importantly had avoided any regulatory censure by quickly resolving all its shareholding disclosure issues.

“We have found them extremely knowledgeable in this niche area. Their interpretation services have been crucial in supporting our compliance team as we operate in a multitude of different geographic locations with a diverse set of businesses.”

**Group Head of Risk and Regulatory Compliance**

## Schedule a Demonstration

For a demonstration of our Shareholding Disclosure Service or for a conversation with one of our regulatory specialists, please contact us.

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## About Us

Kaizen Reporting is a leading provider of regulatory reporting assurance and shareholding disclosure services for the global financial services industry. Kaizen's services combine regulatory expertise with advanced technology and are used by some of the world's largest banks, asset managers, hedge funds and brokers.

Kaizen has won multiple industry awards and has been recognised as an innovator by leading industry organisations including by the UK government with a prestigious Queen's Award for Enterprise.



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