

# Smoothing the way?

When the FSA introduced Gabriel — its new data submission system — at the end of last year, it triggered poor industry feedback. However, the regulator is now convinced any initial problems have been resolved and that firms will find the single system quicker and easier to send returns. Sarah Hills reports.

LAST YEAR, the Financial Services Authority took a step to simplify how it collects information from the companies it regulates by replacing a range of reporting systems with a single system. The Gathering Better Regulatory Information Electronically — or Gabriel — system was introduced at the end of 2008 and replaced older FSA systems, including Firms Online and paper collection processes, some of which were inherited from earlier regulators.

Now insurance broker firms that have been submitting returns online using the Firms Online system since 2005 will use Gabriel to complete the Retail Mediation Activities Return and Complaints Return online. However, the broking industry's only experience of Gabriel is one that was plagued with teething problems last December, causing delays and frustration in the industry. Nevertheless, the FSA claims it has ironed out the issues and still maintains that Gabriel has been designed to make it easier for firms to submit data to the regulator.

Branko Bjelobaba, head of compliance specialist Branko, explains: "Gabriel enables regulated firms to file their reporting data electronically and there are no other options unless the firm is very large and arranges a direct feed of data to the FSA. Gabriel takes over from the old RMAR interface and it is better, clearer and much easier and faster to use because there are fewer data fields than before. Firms have never been able to send in their returns on paper and the interface is maintained on the FSA website."

## Reporting information

Now, all Firms Online returns will be reported via Gabriel, but firms will be able to view historical submissions and make resubmissions on Firms Online until further notice. Companies regulated by the FSA need to report information such as their balance sheet, operating risk and non-financial data on issues such as training — it goes without saying that this can be time consuming and the FSA's reasons for creating a simpler

## GABRIEL — THE NEW REPORTING SYSTEM

Gabriel, which stands for Gathering Better Regulatory Information Electronically, is the Financial Services Authority's new reporting system for the collection, validation and storage of regulatory data. It is being developed to replace the current reporting systems and processes, including Firms Online.

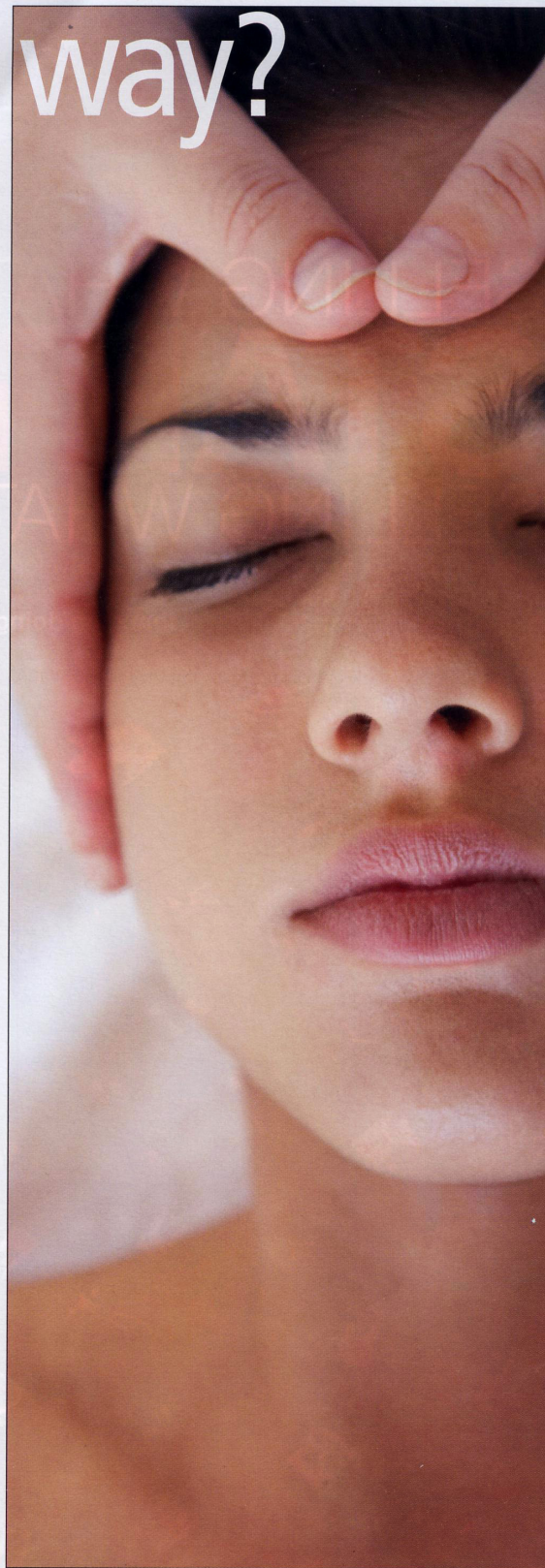
Gabriel builds on the FSA's experience of Firms Online and provides a range of measures to make it more user friendly. For example, it allows users to download returns and complete them offline, upload them to the online system for validation and subsequent submission to the regulator.

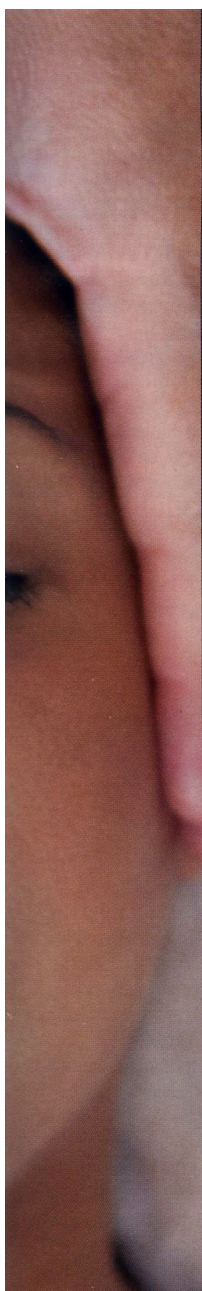
It is designed to be a flexible web-based system that insurance firms can use to complete and submit regulatory data. Insurance intermediaries will continue to submit the Retail Mediation Activities Return and Complaints Return via Gabriel.

online system are clear. There is little doubt that regulatory burdens have increased the workload for brokers, but many in the market believe the right use of technology can help to ease this.

Julian Mancell Smith, managing director of software provider Trace Isys, says a broker's FSA submissions are based upon an analysis of their insurance transaction debits and credits, unallocated cash, fiduciary bank balances and unrealised brokerage to arrive at their trust surplus/deficit. "Importantly, these figures must be able to be reconciled. Clearly, technology can greatly simplify the effort involved in this," he maintains. "A broker running a back-office system can provide these figures for the FSA based upon the underlying bank account details they hold, giving the broker the ability to easily compile the necessary figures while at the same time providing the ability to reconcile automatically to the fiduciary ledgers."

However, the FSA has strived to make Gabriel as simple as possible for the convenience of insurance intermediaries. When the FSA launched Firms Online in





Jupiter July 2005, it said it would review the data it collected, ask firms for feedback and make any improvement that would help to make reporting easier. The regulator also promised to stop collecting any information that did not support its supervisory process. As a result, following a review last year, the FSA reduced the RMAR data requirements by some 30% by removing redundant questions and making certain questions mandatory that were previously optional. In addition, the FSA altered the layout and wording of certain sections and tailored the RMAR so that certain questions would only appear to the firms that should complete them.

Insurance brokers began using Gabriel in October 2008. A FSA spokesman tells Post that Gabriel was designed to make it easier for firms to submit regulatory data to them. "We believe that this will save firms time and effort in completing and submitting forms. Generally speaking, we have started to receive some positive feedback from firms on the new systems."

He adds that insurance providers are not yet using Gabriel. "It is our intention that insurance providers will move to Gabriel in due course once we have received the data requirements following the implementation of the *Solvency II* Directive."

One system for insurers would be a welcome move says Neal Keene, vice president of industry solutions at Thunderhead. He talks of processes that insurers are currently engaging in to try and simplify their procedures. "To ensure compliance, insurers are increasingly integrating their multiple communications applications into an enterprise platform that support all of their communication channels. It is not uncommon for a typical insurer to have 10-15 separate systems producing customer communications."

He adds that these multiple systems work independently and make it difficult for companies to ensure the information they deliver is consistent and accurate. "In addition, having multiple systems makes identifying the information to be updated more difficult and often results in errors when

#### NEW TERMINOLOGY IN GABRIEL

**Data item** This describes one or more data elements — data entry fields — that are grouped together into a prescribed format such as a balance sheet or an income statement. Sections of the Retail Mediation Activities Return and Complaints Return will be known as individual data items, for example RMAR section A (balance sheet) will become data item RMA-A, section B (profit and loss) will be RMA-B

**Return** A return is a set of data items of the same reporting period and submission due dates. Therefore, on their reporting schedule, users will see a list of returns for the same reporting start, end dates and due dates.

not all information is updated correctly."

But for now, the focus is on the insurance intermediary section and making sure it fully understands and appreciates Gabriel. There is a full suite of Gabriel online support available for firms, with a dedicated home page within the FSA website. Brokers can access a free e-learning package and 'Gabriel top tips', including how to print off a return and how to know when returns are due. In addition, the FSA provides a booklet offering help and guidance on RMAR and a quick reference guide on data and user management.

#### Remaining compliant

That said, there are certainly challenges around mandatory electronic reporting to firms. To remain compliant, firms must stop using manual reporting and delivery mechanisms and build or buy a new system to generate and deliver regulatory reports to the FSA via Gabriel. According to the FRS Global Centre of Risk and Regulatory Excellence, firms can expect an increase in cross-checking and enquiries from the FSA. Therefore, it will be essential to have systems that provide easy data access supported by a range of analytical capability. In addition, the FRS Global team says that although mandatory electronic reporting represents a more flexible submission process, firms will need a correspondingly more sophisticated approach to management and auditability.

As for Gabriel's teething problems, the FSA has worked hard to smooth out the issues that affected brokers. In December 2008, the FSA admitted the system was dogged with performance and technical issues, including slow response times and companies encountering difficulties logging in — difficulties that caused the FSA to extend deadlines for firms submitting information via the system. It was also reported that it delayed sending out Gabriel account activation e-mails to some companies due to what it described as continuing high levels of demand on the new system, prompting calls to the FSA about when activation codes would arrive. At the time, the FSA sent an e-mail to firms stating that it would not charge the £250 late returns administrative fee while the technical issues remained.

An FSA spokesman explains: "During the initial system implementation phase, we experienced some system issues,

which resulted in some firms experiencing difficulties in submitting their data — we publicly apologised for the inconvenience. The issues received urgent attention and upgrades late last year have improved the system's performance measurably."

Nevertheless, the FSA was criticised in the press at the time — with some highlighting that the budget for the system had increased by more than a quarter. Silicon.com stated at the time that the system was originally set to cost the FSA £16.2m, with £14.6m spent on development costs and £1.6m on setting up the infrastructure behind them. By the end of the 2008/9 financial year, the development costs had increased marginally to an estimated £16m, while infrastructure costs had risen more than 300% to £5.1m.

Fiona Raistrick, head of financial services regulatory practice at accountancy firm BDO, says that although there were some initial problems, the FSA has built in the tweaks and changes that were necessary. "There were problems — such as the restricted operating hours," she says. "Despite being an online system, it was only available from Monday to Thursday, and was closed from Friday to Sunday in order to upload all the entries. However, there are plenty of features that are much better compared to the Firms Online system. For example, Gabriel has a reporting schedule that produces online reminders to help make sure returns are not late."

The current economic climate is driving a dramatic shift in the way insurance organisations are engaging with their customers. Companies are aggressively looking for opportunities to eliminate manual processes without sacrificing customer satisfaction or regulatory compliance. Ms Raistrick suggests the changing regulatory environment may prompt the FSA to monitor firms more closely — a topical example would be a regulatory focus on variations on a broker's capital levels, she says. "The FSA has accumulated many self-regulated firms and bodies, which all had different processes. With Gabriel, they have brought business rules together and created similar formats for all industries to report online. Gabriel is the FSA's stamp on electronic reporting. In time, it makes sense to have all firms' data on one system so that the FSA has truly uniform management information to benchmark firms."

POST

#### GABRIEL VERSUS FIRMS ONLINE

All Gabriel returns can be seen on a rolling 12-month basis (the user's reporting schedule)

Gabriel will provide online system and policy help texts

Principal users can be easily identified online

Data items can be submitted independently, unless subject to cross validation

Clear indication of each data item's status online, for example no data, theft, failed validation, ready to submit

Firms can easily monitor the progress of resubmission requests online

Gabriel notice board will inform firms of any important announcements

Firms can easily download and/or print returns to work offline

Firms can choose from four submission methods, including PDF uploads

Users can report in the currency of their audited accounts