Exception Categories for Fund Pre-Oversight

... hypothesis statement

- **presumed relationship** *"The false-positive exceptions in fund oversight processes (dependent variable) increase with the greater amount of systematic issues coming from the fund manager side and partially in fund oversight side (independent variables)."*
- **anticipated change** *"If the number of systematic fund issues changes, the false-positive exceptions in fund oversight changes as well."*
- **example** *"The fund will have less false-positive exceptions in oversight processes when fund manager is booking their journals correctly and puts the right prices for the oversight processes."*

Data Quality

phenomenon	observation	data	approach

analysis of upstream and system data	• user experience
	  • categorising identified exceptions in upstream systems, which were not actual exceptions
	  • we are looking for actual negative results, either false-positive or true-negative
	  • this is an effort to completely eliminate false-positive exceptions and identify the true-negative exceptions
	• this is about data issues that are coming from the system (pControl) or upstream systems from TPAs (upstream system feeding data to pControl)
	  • for instance, *mapping data issues* (data pControl has not seen) or *data quality issues* (incorrect characters)
	• TPA or client internal systems to be fixed
	  • we can validate the asset prices before we calculate the Expected NAV price or Backup NAV, which should produce less exception on market data
	• market data exceptions
	  • *"Validating the market data (not fund transactions) before the fund oversight processes are run will reduce the effort clients need to undergo in oversight of their funds.*|
	  • *"The fund oversight exceptions on bottom-level decrease with the greater number of validated trading and market data for that fund. If the number of validated data change, the number of fund bottom-level exceptions from oversight processes changes as well. For instance, the fund will have lot of oversight exceptions on the bottom-level (and possibly on top-level as well) when fundamental data are not validated for that fund."*
	• currently implemented marked data validations
	  1. **Market Data Validation (MDV)**
	  • this is a product running checks on data movements outside of tolerances
	  • it introduces independent market feeds (cost is involved on client side to get the data feed, e.g. from Bloomberg) and compares such data with prices from TPAs
	  2. **Prerequisite Checks**
	  • having everything you need before you run oversight on the fund
	  • granularity is important on the client raw data		

analysis of source data	• this is about issues in source data • data cannot be fixed at the source or a repetitive pattern identified		
analysis of data delivery	• this is about limitations in data delivery • clients are unable to provide data in a consistent format		

Notes

- we should be able to detect and correct for the 3 main conditions of data that arrive to fund oversight processes (upstream and system, source, delivery)
  - and we should be able to produce false-positive exceptions for such data (data source or type, including pricing data, corporate action data, TA data)
- false-positive exception category
  - false-positive exceptions in fund oversight are symptoms of market and trading data (it is an outcome)
  - a false-positive exception is a validation process that is detecting an error in fund oversight, but there is no error (an issue which is not an issue)
    - category checks can fail when there is no real problem and individual holdings are moving out of static tolerances in fund oversight processes (all category issues can be cleared if the market and trading data were verified to be correct)
    - detecting a zero value for maturity when this is the right value for bonds
    - reporting 3 days on weekends when it should be treated as 1 normal trading day
- long-term solution for exceptions

- the best solution is to track the price during the day
    - we will check the prices at the time trades are done
    - this will be another compelling reason for clients to outsource their fund oversight
- but we want to still prevent the accident as false-positive exceptions will be produced regardless since clients may not detect or act on the sensitivity of their funds to market volatility
    - clients sometimes turn off some fund oversight checks, even though their best interest should be to check everything
    - for instance, oversight checks for valuation of holdings at the end of day and for pricing assets (checking the price of security at the time of trade - not checking by using tolerances with something)