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CASE STUDY

Strengthening Controls in Investment Operations:
A Review to Improve Trade Accuracy and Risk Monitoring

ABOUT THE CLIENT

- A leading life insurance company with a pan-India presence and a diversified product portfolio.
- The client manages substantial investments aligned with both policyholder and shareholder obligations, executing activities through a structured operational framework focused on robust governance and long-term value creation..

BUSINESS CONTEXT

- Operating under strict oversight from IRDAI and SEBI, the client's investment operations face complex compliance challenges due to high transaction volumes and regulatory intricacies.
- A comprehensive review was conducted to assess internal control effectiveness, ensure regulatory compliance, and identify opportunities to enhance governance and mitigate emerging risks.

BUSINESS REQUIREMENT

1. **Access Controls Efficiency:** Strengthening access controls to restrict dealing room entry to authorized personnel and log all entry and exit events.
2. **Investment Limit Monitoring:** Implement the robust mechanisms for limit monitoring that minimize breach risks and support proactive risk management.
3. **Trade Execution and Monitoring:** Enhance the internal controls to reduce the risk of trade execution, delayed reconciliations, and potential regulatory breaches.
4. **Regulatory Reporting:** Improve the investment regulatory reporting framework to ensure timely, accurate, and complete disclosures to key stakeholders.
5. **Broker Selection & Controls:** Enhance the controls around broker due diligence, empanelment, performance monitoring, and adherence to regulatory limits

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OUR APPROACH

Understanding of Existing Function & processes

- Detailed walkthroughs with key process owners involved in investment activities to **understand the scope, roles, and responsibilities.**
- Reviewed documented policies, procedures, and manuals governing the investment function.
- Clarified terminology used in investment process with **support from Subject Matter Expert**.
- Identified the regulatory frameworks and compliance requirements relevant to the investment operations **(IRDAI, SEBI guidelines, etc.).**
- Assess the design of internal controls implemented to manage investment risks and compliance.
- Evaluated the systems supporting investment activities, including access controls, trade execution and reconciliation.
- Assessed adequacy of **accountability and oversight** by understanding the delegation of authority and investment decision-making hierarchy.

Review of Investment Process

- Assessed **operational and regulatory controls** in the dealing room as per IRDAI guidelines, covering access restrictions, mobile usage, system access, and role segregation.
- Reviewed **limit monitoring frameworks** for securities, brokers, and counterparties, including hard/soft limits in Bloomberg/SAP and passive breach escalation.
- Evaluated **maker-checker controls** and authorization processes for limit creation/modification.
- Validated trade execution integrity through Bloomberg, broker communications, confirmations, and custodian records.
- Reviewed **broker empanelment**, eligibility checks, agreements, and policy adherence. Verified **quarterly broker ratings** and consistency in trade allocations.
- Reconciled **brokerage and CCIL payments** against agreements and trade records.
- Assessed **NAV computation and public disclosures** for accuracy and consistency.
- Re-performed **rate scans** and reviewed approvals for pricing deviations.
- Verified **ISDA and CSA agreements** for derivative trades and actuarial cash flow projections.
- Ensured investment practices aligned with **IRDAI (Investment) Regulations, 2016** and **Master Circular (Oct 2022)**.
- Evaluated **regulatory reporting** and compliance with the stewardship policy.

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BUSINESS IMPACT & VALUE CREATION

- Strengthened access control governance and reduced regulatory risk by identifying unauthorized entries into the dealing room.
- Highlighted mobile usage control gaps, mitigating potential data leakage.
- Improved risk monitoring by ensuring effective breach tracking and reporting.
- Safeguarded investment integrity through independent validation of pricing, trade execution, and derivative exposure.
- Enhanced financial reporting via accurate NAV computations and cash flow reconciliation.
- Strengthened pricing controls and reduced settlement risks by validating rate scan activities and execution accuracy.
- Evaluated regulatory reporting and compliance with the stewardship policy.

ABOUT US

Headquartered in Gurgaon, Valueonshore Advisors is a specialized professional service firm managed by the Big 4 alumni and industry executives. Our portfolio includes multi-billion-dollar companies, mid-cap public, and pre-IPO companies that range from late stage to early stage. We are a trusted, preferred partner for various multinational and Indian clients who engage us for our functional expertise, industry knowledge, and for our objective solutions for complex problems.

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