



Engagement Case Studies 001

DataCompliance LLC

1 About Our Client

- Leading Online Brokerage
- Provider of online brokerage services to retail and professional clients
- Provider of real time data services for trading platforms
- The client has a US and global presence with 50K+ accounts
- Primarily US exchange traded equities and futures
- Project carried out in the US

2 High Level Project Summary

- Audit Defence
- The client was audited by two leading exchanges, and one index creator
- The client was incorrectly assessed to have a multi-million dollar liability through wrong reporting of professional and non-professional users

3 Operation Level Project View

- Phase 1. Due Diligence comprising information discovery, collation, and analysis to validate the exchanges' findings
- Produce an assessment of the true liabilities based on the correct application of each exchanges own policies
- Presentation of detailed report calculating the correct liabilities
- Advised the client on negotiation strategies.
- Phase 2. Presentation and explanation of findings to the exchange
- Negotiated the mitigation of liabilities

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4 Achievements

- Exchange 1 Reduced the original audit liability findings by **56%**
- Exchange 2 Reduced the original audit liability findings by **50%**
- Index Creator Audit was dropped

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5 The Analysis

- Assessment of data usage which was benchmarked to each exchange's stated policies and contracts
- Conducted a forensic analysis of the exchange's audit findings and supporting evidence
- Calculated a reconciliation between each exchange's audit findings to actual client definitions
- Review of documentation and evidence comparing the findings of previous audits by the exchange and identifying discrepancies in those findings with the statements of the previous audit reports
- Review of the client's policies and systems for taking onboard new clients to ensure professional and non-professional users can be identified at the sign up stage, and any changes in status can be monitored on an ongoing basis.
- Review of the client's market data and entitlement systems to ensure ongoing accurate reporting, and potential to reduce or eliminate unnecessary costs

6 The Reports

- Reports were presented to the client providing a detailed analysis of each exchanges findings
- This analysis validated, and detailed errors, in the exchanges' findings. This included:
 1. Review of the methodologies and reporting analysis conducted by the exchanges
 2. Their calculation of assessments
 3. The incorrect interpretation and application of their policies
- Reviewed the client's internal policies for control, monitoring, and reporting, of externally supplied market data services
- The reports found that the exchanges had improperly applied policies and had not calculated liabilities correctly