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WHITEPAPER

Gaining Trust in Your DFS 504 Compliance Approach with Automated Data Lineage

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Abstract

Since going into effect in 2017, the New York State Department of Financial Services (NYSDFS) Part 504 regulation has required financial institutions (FIs) operating in New York to maintain a transaction monitoring system and a sanctions filtering program. The regulation, also known as DFS 504, provides a detailed definition of the attributes (or components) these systems and programs must have in place.

To maintain effective monitoring and filtering programs, a comprehensive understanding of data lineage is crucial. With an automated data lineage solution, FIs can gain full visibility into their data environment, foster high data quality, and prove well-defined change controls and change management processes.

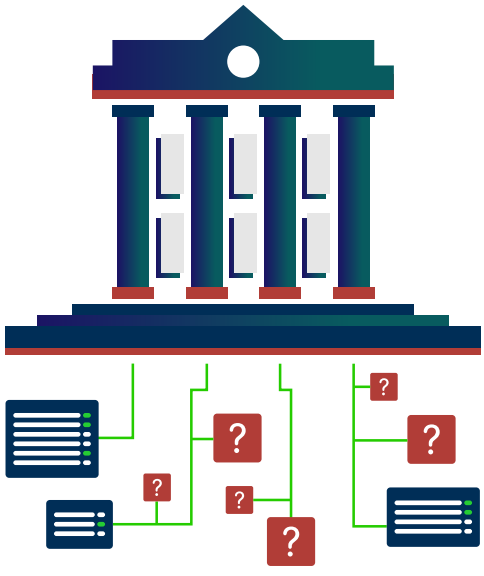
Introduction

In 2016, NYSDFS issued DFS Part 504: "Banking Division Transaction Monitoring and Filtering Program Requirements and Certifications." This new regulation came after NYSDFS took part in multiple investigations into FI compliance with the Bank Secrecy Act (BSA) and Anti-Money Laundering (AML) regulations, as well as Office of Foreign Assets Control (OFAC) requirements around federal and economic trade sanctions.

Over time, those investigations unveiled weaknesses and inconsistencies in how regulated FIs operating in New York developed, maintained, and tested internal systems designed to comply with these regulations. This caused concerns that compliance failures in any area could inadvertently lead to money laundering, terrorist financing, or transactions with sanctioned individuals or entities.

DFS 504 is the outcome of these concerns. Since going into effect on July 1, 2017, DFS 504 has required FIs to maintain a BSA/AML transaction monitoring system, a filtering program that flags OFAC-restricted transactions, and a clear plan around how to govern and manage those two programs over time. It also requires FIs to annually certify their compliance with DFS 504.

That's where data lineage comes in. Gaining complete data environment visibility, validating high data quality, and streamlining DFS 504 program updates all become possible with an automated data lineage solution.



The Role of Data Lineage in DFS 504 Compliance

DFS Rule 504 is significant because it lays out, in granular detail, the

attributes that FIs must have in their transaction monitoring, OFAC sanctions screening, and oversight and governance programs.

Data underpins many of these attributes. As such, there is an explicit need for data lineage—which provides visibility into the origins of data, as well as a visual representation of how the data has changed over time and where it is going—to support compliance efforts. Required attributes, which include the identification of all relevant data sources, validation of data quality, and program governance and management oversight, all underscore the significance of data lineage.

According to KPMG, a clear understanding of data lineage is necessary to have successful transaction monitoring and sanctions filtering systems. When reporting on DFS 504, experts at KPMG recommend that FIs ask: "Where is and how is the data initially captured? How is it extracted, transformed, and loaded into various systems and throughout the entire lifecycle?" Moreover, KPMG states that these questions must be answered to initiate an effective risk assessment aligned with effective transaction monitoring and filtering programs.

Below are some of the specific DFS 504 requirements that MANTA can help you address and meet.

Relevant Data Source Identification

DFS 504 Compliance Requirement:

Identification of all data sources that contain relevant data

How MANTA Helps:

FIs have highly complex data environments. Data is often siloed into different systems, making it easy for data blind spots to emerge. But without a clear and comprehensive view of your data environment, how can you identify which data sources contain relevant data? The truth is, you can't.

With data lineage, you get a detailed map of your entire data environment. It shows where data comes from, how it flows across your systems, and what transformations it undergoes along the way. A data lineage map enables both a big picture understanding of how data flows through your FI and focused visibility into the finer details you need to know to prove compliance.

MANTA's one-of-a-kind active tags feature enables you to take this focused visibility a step further by highlighting and drawing attention to selected pieces of your data lineage map. Active tags are color-coded, actionable attributes that allow you to flag the information that matters to you most in the context of your data pipeline. For example, you can use active tags to immediately see where regulated data resides in your data lineage map and how it interacts with other data assets. The result? You are much less likely to overlook crucial pieces of data.

Data Integrity, Accuracy, and Quality Validation

DFS 504 Compliance Requirement:

Validation of the integrity, accuracy, and quality of data to ensure that accurate and complete data flows through the transaction monitoring and filtering program

How MANTA Helps:

Rule 504 explicitly states that validating the integrity, accuracy, and quality of data is a compliance requirement. If a program fails to detect an illicit transaction due to poor data quality, you risk facing steep compliance penalties.

As stated above, data lineage offers total visibility into your data environment. With this level of visibility, data quality concerns can be addressed before they cause problems. It also makes locating and eliminating poor-quality data—and determining whether that data has impacted data flows historically—that much simpler.

Change Management and Well-Defined Change Controls

DFS 504 Compliance Requirement:

Government and management oversight, including policies and procedures governing changes to transaction and filtering programs to ensure that changes are defined, managed, controlled, reported, and audited

How MANTA Helps:

With MANTA, you can see the effects that planned program changes will have on other parts of the data environment. This impact analysis enables you to ensure that changes are properly managed.

With MANTA's exclusive time slicing feature called historical revisions, you can also apply your data lineage map to see how your programs have changed over time. Here's how it works: whenever MANTA scans your data and creates a data lineage map, that map is time stamped and placed in a dropdown menu. From that menu, you can overlay two lineage versions. MANTA then grays out everything in the map except for changes that occurred between the two versions, making it extremely easy to identify any data-related issues that occurred due to program changes.

Data lineage can also help you prove well-defined change controls during annual compliance finding submissions. FIs must enact strict controls regarding updates to programs and be able to prove that those controls are in place. The best way to do this is to deploy an automated data lineage solution that automatically conducts impact analyses and updates lineage as part of the formal development process.

Conclusion

DFS 504 is a complex regulatory requirement that FIs operating in New York must comply with. To do so successfully, a deep understanding of data lineage is necessary. Using MANTA's automated data lineage solution, FIs can identify relevant data sources, foster high data quality, and prove well-defined change controls and change management processes with ease.

Ready to discover what MANTA can do for your financial institution?

Get in touch with us at manta@getmanta.com or schedule a demo today.

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