

**Industry:**  
Financial Services

**Organization:**  
APIR Systems, Pty Limited

**Description:**  
APIR Systems is a Canberra-based data collection and analysis firm that collects data on products and participants, adds value by mapping and classifying business relationships derived from these data, and disseminates that information to financial industry, government and regulatory participants.

**Business Problem:**  
APIR Systems was faced with a difficult, tedious workflow for deriving compliance "statements" from complex and lengthy legislation text. They needed tools for streamlining and speeding up this process.

**Solution:**  
Rational® RequisitePro®

**Key Benefits:**  
Tight integration with Rational RequisitePro resulted in ability to process and field regulatory changes in minutes, not days.

Using Rational RequisitePro enabled APIR to build the Compliance Reference Service with 30% less staff than original.

All stakeholders could easily become direct contributors via Rational® RequisiteWeb, creating a "collaborative culture" that maximized the CRS's role in industry self-regulation and regulatory compliance.

Rational RequisitePro facilitated creation of a "compliance engine" architecture readily adaptable to any number of industries, thereby leveraging and extending APIR Systems CRS research and development investment.

**Rational** software

## Australian Financial Services Industry Gets Powerful Web-Based Tool for Verifying Compliance to New Legislation

### APIR Systems Develops, Manages, Updates Compliance Reference Service with Rational RequisitePro

The Australian financial services industry is the seventh largest in the world with approximately \$800 billion in funds under management. These statistics attest to a securities marketplace of exceptional strength and vitality.

Part of the reason for the industry's success is its high degree of Federal government legislation and industry codified self-regulation. This regulation is set to become even more stringent under the Financial Services Reform Act (FSRA) enacted in 2001 by the Australian Federal Parliament. The FSRA transitions into effect through to March 2004. By then the Act's complex licensing provisions will directly affect the activities of 180 fund managers, 8,000 financial services license holders and 100,000 representatives throughout Australia.

APIR Systems, Pty Limited is a Canberra-based data collecting and analysis firm that has provided the Australian financial services industry with "competition neutral" infrastructure services since 1997. APIR Systems collects data on products and participants, adds value by mapping and classifying business relationships derived from these data, and disseminates that information to financial industry, government and regulatory participants. To ensure its independence and unbiased analyses, APIR Systems doesn't participate in the financial services industry in any other capacities.

### The Compliance Reference Service

In 2001, APIR Systems received a \$570,000 grant from the Australian government to develop a "Compliance Reference Service" (CRS) based on the new FSRA. The objective of the CRS is to provide a real-time Web-based tool for checking the compliance of financial industry participants with FSRA regulations when selling specific financial products to consumers.

For example, suppose that a person buys a certain type of security from a financial advisor. The CRS would collect the basic information about the transaction: the advisor's name and

location, the type of security, the transaction amount, etc. and automatically generate a list of pertinent compliance-oriented statements and questions. These statements and questions might include:

*Fact:* "This transaction requires a licensed service provider."

*Related Question:* "Does this provider have a license?"

*Fact:* "This transaction involves managed funds."

*Related Question:* "Is the provider's license valid for advising on managed funds?"

Driven by the answers to such questions, the CRS generates on-screen a logical string of requirements and questions that enable industry monitors to evaluate and document a given transaction's compliance to FSRA provisions.

The CRS will be accessible to a wide range of industry stakeholders and it will likely become a keystone of the industry's self-regulatory activities. "Basically the CRS project comes out of a fundamental change to the regulatory regime in Australia," said Andy Hutchings, APIR Systems' managing director. "We were initially asked to fill a void that would be created by this change in legislation. What eventually happened was that the requirements of the system kept getting ramped up to the point where we had to build something very special."

### Creating the CRS

The project began with APIR content analysts dividing the complex and lengthy FSRA legislation text into manageable formatted Microsoft Word documents. Softlaw Corporation's expert system software for legal documents was applied to the text by APIR rules engineers to generate "statements" (similar to variables in conventional programming) pertaining to the various sections of the legislation. Goals or questions related to compliance issues were



thus identified and linked to the precise clauses, paragraphs and sub-paragraphs of the legislation that affect compliance determination. APIR marks-up the FRSA documents so that key clauses become the text of a new requirement. These requirements are held in a dedicated database that can be tapped for deeper analysis as warranted by a compliance inquiry.

Central to the CRS development process is Rational RequisitePro, the requirements management tool from Rational® Software®. Using RequisitePro, APIR Systems' programmers could automate the process of creating requirement statements from the legal text, managing those statements and using them to generate the on-screen questions and statements that drive FSRA compliance inquiries. RequisitePro transforms a tedious and time-consuming manual process into a fluid workflow that derives relevant content from a Microsoft Word document and imports it into the CRS in minutes.

Rational RequisitePro's tight integration with Microsoft Word has proven especially valuable to APIR Systems' programmers. "RequisitePro is a perfect match for us because the FSRA legislation is in Word documents," said Richard Brand, Manager Business Systems, APIR Systems. "We create requirements from those documents very easily with RequisitePro. We've got it to the point now where we treat RequisitePro as a system specification and our spec is so complete that we can generate the data entry system directly from the requirements with no manual intervention. It's about the fastest user requirement-to-market cycle you can imagine. We create a new fact about the legislation and literally have the resulting statement or question on our Web site within ten minutes."

### **Rational RequisiteWeb Provides Portal to Outside World**

One interesting aspect of the CRS project is its openness to contributors working in the financial services industry across Australia. The Internet is the ideal pipeline for connecting this widely scattered base of contributors and Rational RequisitePro's Web interface (referred to as Rational® RequisiteWeb) has been their ideal gateway into the CRS. Now anyone with Web access, regardless of their computer platform, can view and modify

requirements quickly and efficiently.

As Brand observed: "Obviously protection of Intellectual Property is an issue, and Rational tools are useful in defining the system elements." Brand then adds, "We invite our stakeholders to become contributors to the project and they can do so through the Web. They can come into our system, click on any data item, and be taken into Rational RequisiteWeb. In RequisiteWeb they can explore the source document, the facts about that document and who created it. They can go to the original legislation requirement and see what part of the database each element is stored in. They can explore every relationship, every source document, and they can initiate an e-mail discussion if they want."

Managing director Hutchings noted that Rational RequisiteWeb has allowed APIR Systems to create a "collaborative culture" wherein a broad spectrum of the industry can contribute to its self-regulation through a tool like the CRS. "Instead of being an in-house project, we actually turned the CRS into being a project driven to a large extent from outside the company. RequisiteWeb has been very important in allowing us to do so because now external stakeholders are able to participate interactively in the development process" he noted.

### **An Engine for Many Industries**

Though developed for the financial services industries, APIR Systems believes that its CRS engine can be easily adapted to other industries where there is a significant level of regulation and surveillance. Two examples of candidate industries that immediately come to mind to Hutchings and Brand are pharmaceuticals and architecture. "Suppose that an architect is submitting CAD plans for a remodeling job to the city planners," says Hutchings. "Right now there are no on-line mechanisms for checking qualifications and licenses of the staff and organizations making the proposal, for matching the elements of the proposal to regulations and for obtaining approvals for the particular jurisdictions. Our engine could be easily applied to such industries to create on-line compliance tools based on the applicable laws. And if those laws are available as Microsoft Word documents, Rational RequisitePro would be a fantastic fit for building that compliance engine."

### **About Rational**

About Rational Rational provides a software development platform that improves the speed, quality, and predictability of software projects. This integrated, full life-cycle solution combines software engineering best practices, market-leading tools, and professional services. Ninety-six of the Fortune 100 rely on Rational tools and services to build better software, faster. This open platform is extended by partners who provide more than 500 complementary products and services.

#### **IBM Rational software**

Dual Headquarters

18880 Homestead Road  
Cupertino, CA 95014

20 Maguire Road  
Lexington, MA 02421

Toll-free: (800) 728-1212  
Web: [www.ibm.com/rational](http://www.ibm.com/rational)