

# Case Study

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## LANDESBANK BANKS ON AUTOMATED REGULATORY REPORTING

### New York Branch Improves Reporting to Federal Reserve Bank With Implementation of REG-Reporter System



*Becke Buffalo and Bernd Haeger from  
Landesbank Hessen-Thuringen*

In a short time, the New York branch of Landesbank Hessen-Thuringen has significantly improved its financial reporting to the Federal Reserve Bank (FRB). Just two years ago, the bank had faced criticism of its regulatory reporting, so Senior Vice President and Controller Bernd Haeger is understandably pleased at the quick turnaround.

In fact, he is so pleased that he demonstrated his automated regulatory reporting system to colleagues at another financial institution – Commonwealth Bank of Australia – which has since implemented the same system.

How did Mr. Haeger effect such a quick and decisive turnaround?

Landesbank, whose origins date back to the early 19<sup>th</sup> century, is headquartered in Frankfurt am Main and Erfurt, Germany. It maintains international branch offices in London, Luxembourg, Zurich, Amsterdam and Dublin, and

has a presence in several other cities worldwide. The New York branch has been in existence since 1981.

For many years, the New York office accomplished regulatory reporting for the FRB and the New York State Banking Department manually. “The entire reporting process was accomplished manually, with manual ledger entries used to arrive at the correct reporting positions,” Mr. Haeger explains. “We had some assistance from a PC spreadsheet, but all of the data from the general ledger (GL) had to be entered manually into the spreadsheet.”

“It took two clerical staff a total of approximately three weeks on and off to create the quarterly reports and then review them, and still there were errors. We always finished the job at the last minute and had to send the reports via messenger to the FRB.”

Eventually, the bank realized that it had to make a change. Because the reporting process was entirely manual, there was a higher risk of errors. At the same time, the FRB was changing its reporting requirements. “They were asking us for better documentation of worksheets and also wanted us to provide reconciliation from the GL starting point to the final report in a concise format that a ‘neutral’ person could easily follow to understand how we came up with the reporting position. We knew we would either have to create tremendous amounts of information in-house – a time consuming and expensive proposition – or find something better,” Mr. Haeger says.

Fortunately, Mr. Haeger had colleague at another bank who was in the process of implementing “something better,” an automated regulatory reporting solution. The system is designed to automate compliance with reporting requirements to regulatory authorities, management and head offices, and help ensure the accuracy and integrity of financial reports while increasing the efficiency of reporting.

The product, called REG-Reporter<sup>®</sup>, was developed and is marketed by IDOM, Inc., Newark, N.J., a leading provider of banking automation products and management consulting services to the financial sector. In business since 1988, the firm is comprised of career bankers and systems specialists whose knowledge lies in the banking and banking technology industries, with expertise in financial operations, management, accounting and reporting.

“IDOM<sup>®</sup> had the only workable solution to address the issue of improving regulatory reporting,” Mr. Haeger says. He began implementing REG-Reporter in 1997, running the new, automated system parallel with the manual reporting process for the first few cycles to ensure accuracy and allow the bank to analyze differences between the two.

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## *Landesbank Case Study*

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“We had to make decisions about how the reports should look and how to get the required information from our Midas Banking System database running on AS400 to the REG-Reporter database. We also had to make some changes within our mainframe system in the way we use data fields. New product codes, customer types and other transactional codes had to be implemented and maintained in the database and linked to REG-Reporter.”

“But once the initial mapping was completed and all decisions had been made in line with relevant regulations, the process was over and done with; you never have to do it again.”

Working with IDOM’s consultants through the implementation of REG-Reporter was a bonus for Landesbank. “They brought in expertise in regulatory reporting because they have people who worked with the FRB and/or other banks and knew our business. That was a major benefit to us. We didn’t have to explain things, and the end product is a better and higher quality report that we can generate much more quickly than ever before.”

Mr. Haeger says his goals for the project were to improve regulatory reporting, automate the reporting as much as possible and achieve extremely high data quality and consistency in reporting. He says that the bank has met and even exceeded each of these goals.

“Financial regulatory reporting is simpler,” he says, “because in essence, you press a button and download, import, run a report, review the report, make limited adjustments and you’re done.”

“We went from three-plus weeks to prepare the quarterly report to one week. Now we can spend more time analyzing the information. The focus has shifted from a clerical job to a more analytical process, allowing us to look very closely at the numbers.”

Mr. Haeger adds that the bank has achieved its primary goal of automating, simplifying and facilitating the entire process. “We wanted whatever is in the GL to be incorporated into the call report (FFIEC002). With REG-Reporter, if the system finds an error from the database, it automatically brings up a screen showing us where the missing codes and errors in the database are located and prompts us to fix it within our systems.”

“The system has a built-in reporting logic, with each reporting position having an audit trail,” Mr. Haeger says. “The audit trails go back to the GL, which is something the regulators prefer to see. In this case, with no effort, we can produce these audit trails. The FRB’s examiners stated that they were extremely pleased with our high quality and consistent reporting.”

“It’s good to know the regulators are pleased with your system. They expect the data to be correct, and now, in all cases, it is.”