

Case Study

NATWEST SIMPLIFIES REGULATORY REPORTING BY AUTOMATING THE PROCESS

New York Branch of U.K.-Based Financial Institution Implements REG-Reporter to Ease Reporting Burden



Jeffrey Miller of NatWest Group

When Jeffrey Miller joined the New York branch of the NatWest Group in 1994, the bank was using a wide variety of regulatory reporting methods, most of which were based solely on information from its general ledger system. But using the general ledger in combination with spreadsheets and other downloaded information posed challenges in recognizing some customers or transactions that had to be shown on the reports as well as verifying that the downloaded information was correct.

Shortly after Mr. Miller joined the organization, NatWest initiated a bank-wide project to eliminate accounting inefficiencies resulting from the decentralization of the New York branch from the rest of the U.K.-based NatWest. The institution had decided it needed an in-house data warehousing facility to serve as the source of information for a variety of reports – such as head office, management and regulatory -- feeding off of the data warehouse.

Mr. Miller, now Vice President of Regulatory Reporting for the New York branch, embarked on a project to find an automated, integrated system that would allow the branch to accomplish accurate and consistent reporting and one which provided the opportunity to get transactional data directly from a data warehouse, rather than from general ledger summary information.

After a review of the marketplace, he selected REG-Reporter[®] from IDOM, Inc., Newark, N.J., a leading provider of banking automation products and management consulting services to the financial sector.

Seeking a Regulatory Reporting Solution

NatWest Global Financial Markets (GFM) is a highly successful and growing business within the NatWest Group PLC. GFM represents a portfolio of well-balanced products, providing innovative and value-added solutions in money markets, short-term interest rate derivatives, foreign exchange, currency options, structured derivatives and related high-quality research. The New York International Banking Facility, along with a facility in Nassau, the Bahamas, has approximately \$16 billion in assets.

The banking industry has heavy reporting requirements including the Federal Reserve Bank, U.S. Department of Commerce, U.S. regulatory agencies and the New York State Banking Department. According to Mr. Miller, NatWest looked at several domestic and international regulatory reporting solutions in 1996, but none included the extensive number of reports produced by REG-Reporter, and none came from companies with banking and reporting expertise on staff as had IDOM[®]. “Regulatory reporting is very labor intensive to do manually, and it’s extremely helpful to work with a vendor whose people understand your business and all of the various reports and can help with suggestions for changes or adjustments,” Mr. Miller said.

In order to get a true feel for the REG-Reporter environment, his review process included visiting the New York branch of Rabobank, a longtime IDOM client, to see first-hand how that institution was using REG-Reporter. The Rabobank installation convinced Mr. Miller of the advantages of the product.

“We had several goals for the implementation of REG-Reporter,” Mr. Miller said. “We needed to build a reliable, consistent database from which regulatory reports could be completed. Reports are never-ending – they come daily, weekly, monthly and quarterly. There are always many reports going out at the same time, and we needed one system that could accommodate all reports in an effective and cost-efficient manner.

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“Having a single system in place would allow us to streamline the procedures for completing reports, rather than having numerous systems for each separate report, each with 10 pages of instructions.”

He said NatWest also wanted to have the ability to further analyze data, improve reporting accuracy, look at trends and answer questions from the Federal Reserve Board.

NatWest completed the implementation of REG-Reporter in late 1997 and found quickly that it met all of the key goals and objectives. “Our experience with REG-Reporter and IDOM has been very positive,” Mr. Miller said. “Many of IDOM’s analysts and employees are from the Federal Reserve Board’s statistical and technology departments in New York. They understand the nature of regulatory reporting, the burden and the process of managing it.”

The Business Benefits

Mr. Miller said the bank now has a consistent and reliable daily database of information. “In fact, because we’re using the same database for all reports, we have more consistency in our reporting, in addition to the ability to perform edit checks and make comparisons among reports.

“We wanted to minimize having to make changes manually. In the past, there was a lot of manual effort put into updating reporting instructions when the reports changed. Each unit had to decide how to handle changes. We can’t always interpret changes appropriately, but having a vendor to keep us aware of FRB changes and implement the modifications for us eases the risk for those of us who do regulatory reporting.

“Because of the number of reports that REG-Reporter can produce, we’re cost-saving on the regulatory reporting process. In addition, now that our regulatory reporting has been standardized, it’s easier to train new staff, standardize policies and procedures, and we can prepare reports much more quickly. That reduces the man-hours spent in preparation and increases the time we can spend reviewing and analyzing the information and integrating it with other reporting information.”

Additional business benefits of the automated reporting system include:

- ability to create a consistent and logical daily database of regulatory reporting information
- ability to produce reports that reconcile accrued interest receivable/payable detail and premium/discount detail
- understanding of foreign banking organizations and U.S. branch regulatory reporting needs
- coding logic for currency/country which mirror Federal Reserve Bank reports and
- more meaningful analysis of regulatory reports.

There are additional benefits to REG-Reporter that NatWest and Mr. Miller did not anticipate when he was researching automated regulatory reporting options.

“With so much consolidation going on in the financial industry, having implemented a system like this one in place gives us a competitive advantage over those who have not organized their reporting responsibilities efficiently.

“In addition, REG-Reporter will allow us to improve our reporting even further, by allowing us the possibility of merging different reporting functions in the future. We plan to install the newest version of REG-Reporter, 4.2, early next year. That will allow us to continue to improve on our reporting capabilities,” Mr. Miller said.

On a personal note, Mr. Miller has gained so much experience in regulatory reporting that in 1999, he was elected as an International Financial Services Association (IFSA) U.S. Chapter Technical Committee Chair - Regulatory Reporting. In that capacity, he is able to share his regulatory reporting expertise with his colleagues in the industry.