Excel to Excellence: Modernising FSCS Regulatory Reporting in Building Societies

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Introduction

Excel spreadsheets have long been the backbone of financial reporting for building societies, including the critical task of regulatory reporting. However, as regulatory landscapes become increasingly complex and data volumes soar, the limitations of Excel have become glaringly apparent.

Manual data entry, error-prone operations, and time-consuming report generation are consuming valuable resources and hindering operational efficiency. To navigate these challenges and unlock the full potential of their data, building societies must embark on a digital transformation journey to modernise their regulatory reporting processes.

This case study delves into the complexities of Excel-based regulatory reporting and explores how a strategic shift to advanced data management and analytics can revolutionise the way building societies meet their regulatory obligations.

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Excel-based FSCS SCV reporting has been a common practice in building societies, but its limitations in handling increasing data volumes, meeting regulatory deadlines, and ensuring data accuracy have become apparent. This case study explores the challenges faced by a building society and how Macro Global's FSCS SCV Enterprise Solution Suite addressed these issues through a modern, automated approach.

Challenges Resolved

The building society encountered significant challenges in managing FSCS SCV reporting, including data management issues, regulatory compliance difficulties, and scalability limitations. Excel-based processes struggled with data silos, inaccuracies, and inconsistencies, making it difficult to meet regulatory deadlines and adapt to changing requirements. Additionally, the growing volume of data overwhelmed Excel's capabilities, hindering efficiency and scalability.

Results Obtained

By implementing Macro Global's FSCS SCV Enterprise Solution Suite, the building society successfully transformed its FSCS SCV reporting process. Key results include:

Executive Summary

» **Enhanced data management:**
Improved data quality, reduced errors, and streamlined data consolidation.

» **Improved regulatory compliance:**
Achieved timely and accurate reporting, minimised risks, and enhanced auditability.

» **Increased efficiency:**
Automated processes, reduced manual effort, and accelerated report generation.

» **Enhanced decision-making:**
Leveraged advanced analytics and user-friendly dashboards.

» **Mitigated risks:**
Reduced key-man risk and strengthened data security.

Overall, the adoption of SCV Alliance and SCV Forza has enabled the building society to achieve efficient FSCS SCV reporting, meet regulatory requirements, and improve operational performance.

Executive Summary

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Our client is a well-established building society in the United Kingdom with a strong history of serving its members. Traditionally, the building society relied on manual processes and Excel-based spreadsheets to manage its Single Customer View data and generate the required reports for the Financial Services Compensation Scheme.

While this approach was initially sufficient, the growing complexity of the FSCS regulations and the increasing volume of customer data presented significant challenges.

Given the complex nature of the SCV data and the stringent regulatory deadlines, the manual process of collecting, validating, and formatting information into the required Excel templates has proven to be time-consuming, error-prone, and resource-intensive.

Additionally, the static nature of Excel made it difficult to adapt to evolving regulatory requirements. As a result, the building society faced challenges in ensuring data accuracy, meeting reporting deadlines, and maintaining compliance with FSCS regulations.

Recognising the growing complexities of the regulatory landscape and the limitations of its existing approach, the building society sought a more efficient and reliable solution to manage FSCS SCV reporting. They turned to Macro Global in search of a robust, automated platform that could streamline processes, improve data quality, and enhance overall compliance.

Client Backgrund

Challenges Faced by The Building Society

Challenge 1: Data Management Difficulties

Although versatile, Excel spreadsheets posed substantial obstacles for the building society in the management of FSCS SCV data:

≫ **Data Silos:**
The consolidation of data from multiple systems was frequently challenging due to the fragmentation of information across multiple Excel sheets. Data access and analysis were hampered by this siloed approach.

≫ **Inadequate Customer Data:**
Missing or incomplete customer information can lead to inaccurate SCV compensation and reporting.

≫ **Inaccurate Account Holder and Customer Information:**
Incorrect details about account holders and customers can result in mismatched data and erroneous SCV figures.

≫ **Inaccurate Account Settings:**
Errors in account details, such as account type or status, can significantly impact SCV compensation and compliance.

≫ **Duplicate Data:**
Duplicate customer details, accounts can lead to overstated SCV figures and compliance issues.

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Data Quality Issues:

In Excel-based SCV reporting, it is challenging to ensure data accuracy, comprehensiveness, and timeliness.

Data Security Risks:

The potential for unauthorised access, data breaches, and loss was present in the protection of sensitive financial data within Excel files.

Challenge 2: Regulatory Compliance Issues

It was challenging for the building society to comply with the rigorous regulatory requirements due to the Excel-based FSCS SCV reporting.

Meeting Deadlines:

The manual processes were a challenge in producing intricate regulatory reports within tight time frames.

The errors and omissions in reports, elevated by manual data manipulations, could result in regulatory penalties.

Auditability Issues:

Using Excel to track changes and create audit trails proved laborious, making it difficult to demonstrate compliance and respond to regulatory enquiries.

Adapting to Changes:

Keeping up with changing FSCS SCV reporting requirements was time-consuming and error-prone, as Excel-based templates required manual adjustments.

Challenges Faced by The Building Society

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Challenge 3: Growth and Scalability Constraints

The limitations of Excel became increasingly evident as the building society expanded:

≫ **Limited Capacity:**
Excel's ability to manage the increasing complexity and volume of data became inefficient and time-consuming. With the addition of larger datasets, Excel spreadsheets experienced a decline in performance.

≫ **Integration Challenges:**
The integration of Excel with other systems and data sources was time-consuming and complex, which impeded the flow of data and the consistency of the information.

≫ **Scalability Challenges:**
Excel's capacity to manage heightened data volumes and complexity was restricted, making the SCV reporting process difficult to expand to accommodate growth.

≫ **Tedious Effort:**
The productivity and efficiency of the building society were significantly impacted by the exponential increase in the manual effort necessary to manage and maintain Excel-based SCV reports as the building society expanded.

Challenges Faced by The Building Society

Solution Implemented

As building society was seeking to upgrade its approach to regulatory reporting and ensure seamless compliance with the Financial Services Compensation Scheme, a strategic partnership with Macro Global came as a game-changer.

Macro Global understands the complexities of regulatory demands and has tailored its prime SCV solution to address the challenges faced by the building society while meeting FSCS requirements efficiently. SCV Forza is the key to transforming FSCS reporting from a burden to a breeze.

SCV Forza offers a comprehensive solution that integrates Excel-based data seamlessly, allowing for easy importation of the necessary information to identify individuals and entities to be reported. By automating these processes, SCV Forza ensures accuracy, efficiency, and compliance at every step of the regulatory cycle.

One of the significant advantages of SCV Forza is its ability to eliminate the potential for human error by incorporating algorithms, formulae, and predefined logic aligned with business and process rules. This enhances data accuracy and significantly reduces the risks associated with manual data handling in regulatory reporting.

SCV Forza facilitates account and customer rule management, data enrichment, and validation, providing building societies with the tools to effectively manage their data sources and ensure the integrity of their SCV reports. This level of control enhances the overall regulatory reporting process and fosters confidence in the data being submitted.

Additionally, SCV Forza offers automated reconciliation capabilities throughout the accounting period, providing a complete audit trail for all reconciliations conducted. This feature not only saves time but also ensures the accuracy and completeness of the reported data, mitigating risks and enhancing transparency in the SCV reporting landscape.

Furthermore, SCV Alliance with its 175+ rigorous checkpoints, tracks and reports potential high, medium and low risk data issues using complex algorithms and external data sets. SCV Alliance integrated with third-party providers such as FCA DB, Royal Mail DB through API, Companies House, Charities Register, BFPO Address, OFAC Sanction customer check and more to screen the customer data, ensuring a high level of accuracy and full compliant.

These SCV Forza – Automation Platform and SCV Alliance - Audit Platform enable building societies to automate and streamline their reporting process and generate accurate reports which tick every box for FSCS regulatory compliance requirements.

Solution Implemented

FSCS SCV Reporting Data Governance Process

A comprehensive suite of features encompasses the essential stages of FSCS regulatory reporting, ensuring a seamless and efficient process for building societies.

Collect & Cleanse

≫ **Data Extraction:**
Establish an ETL integration with the building society's CRM and extract the relevant customer information to generate FSCS SCV files.

≫ **Deduplication:**
Fuzzy matching techniques are implemented automatically to identify and eliminate duplicate records. Fuzzy matching allows for approximate string matching, handling variations in data format and spelling.

Outcome
Enhanced data quality, improved reporting, and increased data value, resulting in more reliable and accurate data that meets regulatory requirements.

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Structure & Enrich

Identifying Missing Data:

This involves thoroughly analysing the existing data to identify missing data points, inconsistencies, or obsolete entries. It helps in understanding the data structure and identifying areas for improvement.

Data Modification:

Altering existing data fields to accommodate required information.

Data Augmentation:

Supplementing missing data with relevant information from external or internal sources.

Data Standardisation:

Ensure data consistency by applying regulatory standards and formatting rules.

Outcome

By effectively structuring and enriching the data, the overall data quality is significantly improved. The SCV Forza platform can now rely on cleansed and accurate data to generate reliable SCV output files.

Validate & Transform

⟫ This step involves checking the accuracy and consistency of data against the third-party tools such as FCA Register, Royal Mail DB, Companies House, Charities Register, BFPO Address, OFAC Sanction customers to identify discrepancies in customer and account holder information such as "Company name and number information, customer postcode, customer risk status" these are the things we are checking.

⟫ Employing AI-based algorithms and fuzzy logic to detect anomalies such as inaccurate customer information, account segregations, and data duplication by:

   ⟫ Eliminating data duplication by merging or removing redundant records.

   ⟫ Resolving account segregation discrepancies through data analysis and reconciliation thereby enabling better decision-making through insightful reports and key metric tracking.

   ⟫ Aggregating data from multiple sources to create a comprehensive customer view.

Outcome

Ensures data accuracy through rigorous validation, improves quality by addressing issues like inaccurate customer information, account segregation, and poor data aggregation, prioritises remediation efforts facilitated by risk-based categorisation, and ensures strict FSCS compliance in SCV file generation.

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Audit & Screening

» A comprehensive audit of the generated SCV report is conducted using the SCV Alliance tool, which is aligned with PRA's data validation rule engine and contains over 175 predefined checkpoints.

» The tool assesses the data for potential risks and inconsistencies.

Outcome

The process results in the <u>generation of FSCS SCV reporting files</u> that adhere to all regulatory requirements outlined by the Financial Services Compensation Scheme and the Prudential Regulation Authority.

Communicate & Engage

» The generated report is then subjected to validation against third-party data providers such as FCA, Royal Mail, Companies House, Charities Register, IBAN, and BFPO Address, OFAC Sanction customers and more.

» Any discrepancies or inconsistencies between the SCV report data and the third-party databases are flagged as potential errors.

» The identified issues or discrepancies are communicated to the relevant stakeholders for further investigation and rectification.

Outcome

The step ensures that the SCV report is accurate and compliant, decreasing errors and non-compliance risks while also maintaining data integrity, fraud protection, and regulatory compliance.

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Results Obtained

» Ensured the reliability and trustworthiness of the SCV report data.

» Reduced manual errors, improved data accuracy, and enhanced data integrity.

» Increased efficiency and reduced processing time.

» System demonstrated scalability to handle increased data volumes without compromising performance.

» Enhanced user experience via user-friendly interface and interactive dashboard.

» Reduced Key-Man Risk.

» Generated accurate SCV regulatory reports on time, minimising non-compliance risk.

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By partnering with Macro Global and implementing the SCV Forza and SCV Alliance solutions, the building society has successfully transformed its FSCS SCV reporting process. The challenges posed by manual processes, data quality issues, and regulatory complexities have been effectively addressed. Through automation, data validation, and compliance checks, the building society has achieved significant improvements in data accuracy, efficiency, and risk mitigation.

The integration of SCV Forza and SCV Alliance has empowered the building society to meet the stringent requirements of the FSCS while enhancing overall operational efficiency. The platform's ability to handle large volumes of data, adapt to regulatory changes, and provide comprehensive reporting capabilities has positioned the building society for long-term success.

By leveraging SCV Forza and SCV Alliance, the building society has established a foundation for sustainable growth and operational excellence.

Macro Global's solutions have not only solved immediate challenges but have also positioned the building society for future success in the evolving regulatory landscape.

This success story is a testament to the transformative force of technology in the financial services industry and establishes a standard for other building societies that aspire to optimise their reporting processes and achieve efficient SCV reporting.

Conclusion

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