BRIDGING THE GAPS IN DATA SILOS: A BUILDING SOCIETY'S JOURNEY TO EFFICIENT FSCS REPORTING

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INTRODUCTION

Building Societies, unique to the UK financial landscape, play a key role as member-owned entities focused on delivering accessible financial services, primarily savings, mortgages, and insurance to their local communities. Their traditional emphasis on personal relationships and community service has frequently resulted in the formation of unique systems and processes, some of which have grown entrenched over time.

While these methods have previously served them well, the increasing demands of regulatory compliance, particularly FSCS reporting, and the growing relevance of data-driven decision-making have posed substantial problems. This case study investigates how one such established Building Society, strongly anchored in traditional procedures, encountered severe challenges as a result of its reliance on obsolete technology and decentralised data management.

Comprehending the urgent need for modernisation, the Building Society partnered with Macro Global to transform its data strategy, enhance regulatory compliance, and leverage the full potential of their data assets. This case study details the specific challenges encountered, the innovative solutions implemented by Macro Global, and the resulting positive outcomes, demonstrating the transformative power of effective data governance within the unique context of the Building Society sector.

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EXECUTIVE SUMMARY

This case study examines how a UK Building Society, traditionally focused on community banking and reliant on legacy systems, addressed significant challenges related to data management, regulatory compliance (specifically FSCS reporting), and customer onboarding. Facing issues arising from data silos, inadequate data quality, and gaps in regulatory knowledge, the Building Society collaborated with Macro Global to implement comprehensive solutions.

CHALLENGES RESOLVED

Challenge 1:

EXISTENCE OF DATA SILOS

Solution: Macro Global conducted a comprehensive gap analysis to understand the Building Society's data architecture and implemented the SCV Forza platform for automated data extraction and integration from various sources. This enhanced data consolidation and regulatory mapping, ensuring unified data management, improved reporting efficiency, and reduced compliance risks. Advanced AI-driven algorithms were also used to validate data integrity and deduplicate records, resulting in accurate SCV outputs.

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Challenge 2:

INEFFECTIVE CUSTOMER ONBOARDING JOURNEY LEADING TO POOR DATA

Solution: To address the shortcomings in the customer onboarding process, Macro Global deployed the SCV Alliance audit platform, which validated SCV and Exclusion output files according to FSCS guidelines. This platform integrated with external datasets to identify discrepancies in customer profiles and streamline data tracking and remediation. Ongoing support facilitated timely resolutions to data-related queries, significantly enhancing data quality and enabling confident submissions to regulators.

Challenge 3:

GAPS IN REGULATORY KNOWLEDGE AND ADOPTION OF INDUSTRY TRENDS

Solution: Macro Global executed a consulting engagement that included a thorough analysis of the Building Society's data management and regulatory compliance practices. Tailored recommendations were provided to align operations with FSCS and PRA requirements. The consulting team also coordinated with product owners to address data issues, conducted ongoing training on evolving regulations, and established robust reporting frameworks. This comprehensive approach strengthened regulatory awareness and positions the Building Society to adapt to industry changes effectively.

Result Obtained

☑ Enhanced consistency in customer information across different departments, leading to more accurate SCV reporting.

☑ Automation reduced the time and labor required for FSCS SCV reporting by approximately 30%, streamlining the reporting process.

☑ Seamless integration of data from multiple sources facilitated a comprehensive view of customer accounts, strengthening data validation.

☑ Successful identification of potential risks and inconsistencies within customer data, improving overall data governance.

☑ Prompt flagging of discrepancies and rigorous validation against external datasets significantly improved data quality.

☑ Improved understanding of FSCS and PRA regulatory requirements among staff, significantly reducing compliance vulnerabilities.

☑ The Building Society increased its resilience by being better equipped to adjust to industry and regulatory changes.

CHALLENGES FACED BY BUILDING SOCIETY

Challenge 1:

EXISTENCE OF DATA SILOS

The Building Society faced considerable difficulties stemming from multiple departmental systems that operated in isolation. This resulted in significant challenges, particularly regarding data management and regulatory compliance.

01

Inconsistent Data Integrity:

When different departments maintain separate records, inconsistencies arise in how customer information is recorded and managed. For example, one department may contain outdated information, while another may have the latest data, ultimately resulting in inaccurate SCV reports.

02

Reduced Reporting Efficiency:

When data is siloed, the process frequently becomes labour-intensive. Employees may have to manually collect information from several systems, resulting in longer turnaround times for FSCS SCV reporting.

03

Increased Risk of Non-Compliance:

As it is difficult to validate, reconcile, and consolidate diverse data sources, it is difficult for building societies to assure compliance, resulting in serious financial penalties and damage to the institution's reputation.

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04

Issues with Auditing and Data Validation:

Makes it more difficult for compliance teams to detect inconsistencies and validate report integrity, complicating the auditing process. When data cannot be unified into a single view, automated validation is practically impossible.

Solution Implemented

In response to the challenges posed by data silos, the Building Society recognised the pressing need to enhance its data management practices to align with regulatory compliance and operational efficiency. Hence, they partnered with Macro Global which initially conducted a comprehensive gap analysis, laying the groundwork for a strategic approach to unify disparate systems and streamline FSCS reporting.

Gap Analysis

The initial phase of the gap analysis involved a thorough examination of the existing data architecture within the organisation. All current data repositories, systems, and formats utilised by the institution were meticulously identified.

Automated Data Extraction and Integration

Leveraging the Forza platform, the Building Society was enabled to automate the extraction of metadata from a variety of data sources, including customer relationship management (CRM), Excel files, CSV files, text files, and other external files. This automation facilitated the loading of data into the SCV Forza application, thereby streamlining the creation of the mandatory SCV outputs necessary for regulatory compliance.

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Regulatory Mapping and Compliance Assessment

SCV Forza was configured to map regulatory requirements directly against the Building Society's existing data practices. This mapping process identified specific areas of non-compliance, enabling targeted remediation efforts and ensuring adherence to FSCS standards.

Data Aggregation

To ensure data integrity and reliability, a comprehensive aggregation and consolidation of raw data was carried out. Advanced AI-driven algorithms were employed to conduct thorough checks on the completeness, consistency, and validity of the data. Moreover, any currencies present in the eligible accounts were converted into GBP, thereby simplifying the data aggregation process.

Deduplication

Automated Fuzzy matching techniques were implemented to identify and eliminate duplicate records, allowing for approximate string matching and handling variations in data formatting and spelling. This action was crucial in ensuring that all information related to customer accounts was accurately captured without redundancy.

Generation of SCV Output File

The process culminated in the generation of an SCV file, detailing account information eligible for FSCS reporting and categorising accounts as FFSTP and NFFSTP. An exclusion file was simultaneously created to identify accounts classified under specific exclusion types, such as Beneficiary, Sanctioned, Legally Dormant, and Legally Disputed.

Securing the SCV Output File for Further Auditing

Finally, the output files were securely compressed into a password-protected ZIP format and stored on the Bank's server. Upon completion of the processing, the bank's user group received a status notification, thereby enhancing transparency and communication within the organisation.

Output

☑ Improved consistency in customer information across departmental systems, reducing inaccuracies in SCV reporting.

☑ Automation of data extraction and reporting processes significantly reduced the 30% of time and labor required for FSCS SCV reporting.

☑ Seamless integration of data from multiple sources facilitated a unified view of customer accounts.

☑ Comprehensive data aggregation and consolidation ensured high data quality.

☑ AI algorithm led to the identification and removal of duplicate records, enhancing the accuracy of account information.

☑ Generation of categorised SCV files, clearly delineating eligible accounts (FFSTP and NFFSTP) and exclusion categories.

☑ Output files were securely compressed and stored in a password-protected format, ensuring data confidentiality.

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Challenge 2:

INEFFECTIVE CUSTOMER ONBOARDING JOURNEY LEADS TO POOR DATA

The financial institution struggled with an ineffective customer onboarding process, leading to poor data collection, compromised customer profile quality, and risk items in the SCV report such as:

01

High-Risk Items:

Include missing customer titles, names, dates, UK addresses, non-UK addresses, duplicate customer IDs, exclusion accounts, ineligible accounts, incorrect account hold indicators, duplicate accounts in SCV output, different account balances, NFFSTP and FFSTP status codes for the same customer, invalid UK postcodes, company registration numbers, incorrect sort code, invalid account status code, exclusion type value in SCV file, data format issues, duplicate passport numbers, SCVRN not starting with valid FRN number, invalid other national identifier type, non-Alphanumeric character in account number, and unusual character in account status code.

02

Medium Risk Items:

Include missing customer date of birth, duplicated postcodes in non-UK customer addresses, missing national insurance numbers, company numbers, UK company registration numbers, email addresses, main phone numbers, BIC, IBAN, IBAN incorrect consolidation, product types, country codes, BRRD flags, unusual characters in customer surnames, duplicate addresses, and incorrect account balances.

03

Low Risk Items:

Include missing sort code, product name, recent transactions status, structured deposit account flag, original balance before interest greater than original balance with interest, missing phone number, and unusual account title.

Solution Implemented

To tackle the challenge of an ineffective customer onboarding journey that resulted in poor data quality, Macro Global deployed the SCV Alliance audit platform. This tool was specifically designed to validate the SCV and Exclusion output files in accordance with FSCS SCV Guidelines and the PRA Rulebook, thereby enhancing the accuracy of FSCS regulatory reporting.

Extensive Audit

A detailed audit of the generated SCV report was performed using the SCV Alliance tool, which aligned seamlessly with the PRA's data validation rule engine and incorporated over 175 predefined checkpoints. This comprehensive assessment allowed for the identification of potential risks and inconsistencies within the data.

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Third-party Validations

The SCV Alliance platform was <u>integrated with more than ten external datasets</u>, including the UK Postcode database, FCA registration records for company status validation, Companies House for business details, and Charities House to check for potential excluded customers or accounts. Discrepancies or inconsistencies between the SCV report data and these third-party databases were promptly flagged as potential errors, ensuring a robust quality control mechanism.

Identification of Discrepancies

The resulting audit report provided the Building Society with a clear framework to identify inaccuracies in customer profiles linked to high-risk, medium-risk, and low-risk items. By highlighting these issues, the audit tool enabled the institution to implement processes that mitigate risks of penalties while ensuring data was duplicate-free, consistent, and accurate.

Targeted Remediation

In addition to auditing, the SCV Alliance offered a user-friendly workspace that streamlined the tracking, monitoring, and remediation of data issues with minimal manual intervention. Identified discrepancies were communicated to relevant stakeholders for timely investigation and rectification.

Continuous Support

Macro Global provided ongoing support, coordinating closely with project stakeholders to address and resolve specific data-related queries raised by the FSCS. The response and turnaround times were expedited, ensuring prompt solutions for any issues and inquiries.

Data Enrichment & Report Submission

Utilising the exception reports generated by the audit tool, the Building Society in association with MG experts' support carried out a data enrichment process to enhance the quality of customer information further. These reports proved invaluable in updating customer details, allowing the institution to submit the SCV report confidently.

Output

- ☑ Successful identification of potential risks and inconsistencies within the SCV report.

- ☑ Prompt flagging of discrepancies between SCV report data and third-party databases, enhancing data accuracy.

- ☑ Enabled easier tracking, monitoring, and remediation of data issues with minimal manual input.

- ☑ Establishment of clear communication channels for identified discrepancies, facilitating timely investigation and resolution of data-related issues.

- ☑ Assurance that validated data could be confidently submitted to regulators in the mandated format, reducing the risk of non-compliance.

Challenge 3:

GAPS IN REGULATORY KNOWLEDGE AND ADOPTION OF INDUSTRY TRENDS

The Building Society faced significant challenges due to a lack of awareness and understanding of the FSCS and PRA regulatory requirements. This deficiency risked the institution's compliance, leaving it vulnerable to potential regulatory breaches and penalties. Additionally, as industry trends evolved, the Building Society struggled to adapt, which further compounded its compliance risks.

Solution Implemented

Macro Global executed a comprehensive consulting engagement designed to enhance compliance and data management. Understanding the institution's struggles with understanding the FSCS, PRA, and other regulatory requirements, Macro Global focused on equipping the organisation with the necessary knowledge and tools to mitigate compliance risks effectively.

Thorough Analysis of Data Environment

The engagement began with the Business Consulting team conducting a thorough analysis of the Building Society's data environment and existing data processing procedures. This analysis allowed the team to provide tailored recommendations aimed at aligning the Building Society's operations with regulatory requirements.

Joint Implementation Initiatives

To facilitate implementation, Macro Global's product team worked closely with the Building Society to establish specific objectives and derived scopes tailored to the unique characteristics of the institution's data environment, all within the critical regulatory timelines.

Proactive Data Quality Management

Recognising that data issues could hinder compliance, Product Owners were engaged to coordinate efforts in addressing and cleansing any discrepancies within the Building Society's data. This proactive approach ensured that solutions to data quality issues were provided within a limited turnaround time, enabling swift resolution and minimising potential compliance risks.

Comprehensive Support and Training

Moreover, Macro Global extended comprehensive product and consulting support to help the Building Society navigate new and updated regulatory requirements as they emerged. This included ongoing training and resources designed to boost the institution's awareness and understanding of evolving regulations and industry trends.

Rigorous Stress Testing

The Macro Global Quality Assurance team conducted rigorous stress testing to verify that the reporting processes were capable of handling any volume of data. This assurance was crucial in ensuring that the bank's reporting infrastructure could withstand regulatory scrutiny and maintain integrity under various operational stresses.

Expertise in Reporting Practices

Additionally, Macro Global provided subject matter expertise on the reporting process, equipping the organisation with the knowledge needed to ensure accurate and consistent reporting practices. This expertise enabled the Building Society to enhance its reporting frameworks in line with industry standards and regulatory expectations.

Output

- ☑ Improved understanding of FSCS and PRA regulatory requirements among staff, reducing vulnerability to compliance breaches.

- ☑ Identification and resolution of data issues were prioritised, leading to improved data quality and integrity.

- ☑ Subject matter expertise facilitated enhancements in reporting processes, leading to more accurate and consistent outputs.

- ☑ The overall risk of regulatory breaches and associated penalties was significantly mitigated through systematic understanding and actionable measures.

- ☑ Established frameworks and processes positioned the Building Society for ongoing adaptability to industry trends and regulatory changes in the future.

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OVERALL RESULTS OBTAINED

☑ **Enhanced Data Consistency:**

Achieved greater uniformity in customer data across various departments, resulting in more reliable SCV reporting.

☑ **Greater Reporting Efficiency:**

Automation streamlined the FSCS SCV reporting process, reducing the time and resources required by approximately 30%.

☑ **Comprehensive Data Management:**

Facilitated an integrated view of customer accounts through seamless data consolidation from multiple sources.

☑ **Improved Accuracy in SCV Outputs:**

Effective deduplication techniques led to higher fidelity in account information, minimising reporting errors.

☑ **High-Quality Data Integrity:**

Implemented thorough validation checks that ensured the reliability and accuracy of data used in reporting.

☑ **Proactive Risk Identification:**

Successfully detected potential data risks and inconsistencies within customer profiles, thereby enhancing data governance.

☑ **Boosted Data Accuracy:**

Increased precision in data quality through timely identification of discrepancies and rigorous validation against external datasets

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☑ Efficient Issue Remediation:
Simplified tracking and resolution of data-related problems minimised manual intervention and improved operational workflows.

☑ Effective Communication Mechanisms:
Developed robust channels for addressing discrepancies, which expedited the resolution process for data issues.

☑ Increased Confidence in Compliance Reporting:
Ensured that validated data could be submitted to regulatory authorities in the required format, decreasing the risk of compliance issues.

☑ Improved Regulatory Knowledge:
Strengthened awareness of FSCS and PRA regulations among staff, significantly lowering the risk of non-compliance.

☑ Focus on Data Quality Improvements:
Swift identification and rectification of data issues led to enhanced data integrity and reliability.

☑ Refined Reporting Procedures:
Leveraged subject matter expertise to bolster the accuracy and consistency of reporting practices.

☑ Reduced Compliance Risks:
Implemented strategic measures that considerably lowered the potential for regulatory breaches and associated penalties.

☑ Preparedness for Evolving Trends:
Established sustainable frameworks that equipped the Building Society to effectively respond to ongoing regulatory and industry changes.

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FINAL THOUGHTS

In conclusion, the strategic partnership between the Building Society and Macro Global resulted in transformative enhancements across the organisation. By addressing critical challenges related to data silos, ineffective customer onboarding, and regulatory knowledge gaps, the Building Society significantly improved data accuracy, compliance, and operational efficiency.

The implementation of automated data management solutions and robust audit frameworks not only streamlined reporting processes but also ensured the integrity of customer information. Additionally, continuous support and training positioned the institution to adapt proactively to evolving regulatory landscapes and industry trends.

As a result, the Building Society emerged with a fortified compliance posture, equipped with the tools and insights necessary to navigate future challenges. This case study exemplifies how targeted interventions can drive substantial improvements, fostering a culture of excellence in data governance and regulatory adherence, ultimately enhancing the institution's reputation and operational success.

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