

Company

A top 10 US corporation with operations in 50+ countries across the globe, one million commercial customers and a reported \$538 billion assets under management. The corporation assist clients in managing the full cycle of assets from selection, acquisition to maintenance and disposition.

Business situation

The corporation was looking for a solution that would enable them to reduce the 10,000 man hours currently consumed by reconciliation preparation, approving and reviewing. In addition, a higher level of transparency was required to meet SOX regulations and achieve consistent operations across the business.

Solution

SmartStream's TLM was deployed in 2006 and was more recently upgraded with TLM Balance Sheet Substantiation, including the functionality of TLM Reconciliations Premium for the substantiation process. The solution provided the corporation with timely reporting across the entire life cycle and the ability to shorten the cycle whilst tightening controls - allowing more time to focus on exception resolution.

Key benefits

- Enhanced reporting capabilities including a rich management dashboard
- Full automation with real-time daily reconciliation, resulting in risk reduction
- Compressed costs and timetables reducing labour intensive operations
- Advanced tracking capabilities ensuring timely reconciliation, with aged items being monitored and resolved promptly

Top 10 US corporation strengthens account reconciliations with TLM® Balance Sheet Substantiation

It is well documented that the financial crisis and ensuing economic downturn has forced corporates to undergo a strategic review of their operational procedures. The result is a sharpened focus on solutions that automate and streamline balance sheet substantiation. The aim is to not only improve the financial close process but also deliver a higher return on investment and refine a company's competitive edge.

Balance sheet substantiation may not roll off the tongue but is a vital component of account reconciliation that is conducted on a monthly, quarterly and year-end basis. In effect it is an account certification process that allows an organisation to meet regulatory reporting requirements. In the US, for example, it comes under the Sarbanes-Oxley Act of 2002 (SOX) – Section 404 of top-down risk assessment (TDRA) which is overseen by the Securities and Exchange Commission (SEC) and Public Company Accounting Oversight Board (PCAOB). The rule is applied in the US as well as other countries to support any argument pertaining to a case, which needs an investigation and testing of controls for internal financial reporting.

Balance sheet substantiation confirms that the balance, held in the primary accounting system of record, such as an enterprise resource planning vendor's general ledger – is reconciled with the balance and transaction records held in the same or supporting sub-systems. Historically, this was a hands-on process, driven by Excel spreadsheets, email, manual monitoring and reporting. In recent years software solutions including SmartStream's TLM® Balance Sheet Substantiation have been developed to bring a level of automation, standardisation and enhanced control to the process.

SmartStream's TLM Balance Sheet Substantiation is particularly suited to large companies. In the case of a US top 10 global corporation client who had over 100 sub-ledger systems with manual interfaces and more than 150,000 accounts, a team of 500 were dedicated to the task, in which they relied heavily on an Excel spreadsheet as the main tool for reconciliations. This translated into 100,000 man hours spent on reconciliation preparation with 7,000 dedicated to approving and reviewing. The final tally to prepare, reconcile and investigate the quarterly reconciliation process was four weeks.

Unfortunately this duration was only one of the corporation's concerns. There were also SOX issues relating specifically to transparency, the manual nature of reconciliation meant it was not only prone to human error but senior management lacked visibility into the accuracy or status of account reconciliation. In addition, there wasn't a consistent methodology across businesses to perform account reconciliations, likewise a number of accounts remained unreconciled. Last but certainly not least, too much effort was being placed on identifying the open items opposed to resolving the underlying root causes.

In 2006 SmartStream deployed TLM for the corporation and more recently upgraded to TLM Balance Sheet Substantiation and the inherent functionality provided by TLM Reconciliations Premium solution. A key attraction to the client was to leverage the solution to create an efficient account reconciliation method which produced timely reporting to management throughout the cycle. Other reasons were to digitise the reconciliation process, significantly shorten the cycle time, tighten control and increase the productivity of reconcilers, allowing more time for exception resolution and elimination of defects. Previously, the client had spent a significant amount of time preparing their reconciliations from external feeds and the previous month's reconciliation, this limited the level of details logged into the reconciliations and where transactions were loaded they were being manually matched.

The key advantages of SmartStream's TLM Balance Sheet Substantiation solution are enhanced reporting capabilities along with a dashboard that offers management teams greater transparency. The monthly process had historically been tracked through the creation of hundreds if not thousands of spreadsheets, each stored and maintained independently; giving a poor oversight to the progress being made across the reconciliations. By contrast, TLM Balance Sheet Substantiation has a single repository for all components of the reconciliation, from the account details, to the balances and any substantiating documents. It has a standard state model, which offers complete visibility for all users ensuring they know at what stage each reconciliation is at through a single real-time dashboard. Through the same desktop a company can drill down to the details of any reconciliation.

Risk management is strengthened through automated, real-time reconciliations applied daily, monthly and quarterly at both account balance and transaction level. The solution's tracking capabilities also ensures that fewer accounts remain un-reconciled; with the single repository all aged items can be monitored and resolved in a timely fashion. Additionally, the typical spike of activity around month end is flattened, ensuring an even workload.

Moreover, costs are lowered and timetables compressed as the operations are less labour intensive. However, a lower headcount does not mean productivity falls; in fact the reverse occurs due to workflow-based processes for account ownership assignment, distribution of reconciliation results and exception management.

The client has found tangible benefits in implementing SmartStream TLM Balance Sheet Substantiation. Preparation time was dramatically cut with one business unit showing a saving of 89%, with the number of man hours reducing from 890 to 97. In addition, the overall effort for the reconciliations cycles also fell by 5% allowing more time to be spent completing better quality reconciliations.

About SmartStream

SmartStream provides Transaction Lifecycle Management (TLM®) solutions and Managed Services to dramatically transform the middle and back-office operations of financial institutions. Over 1,500 clients, including more than 70 of the World's top 100 banks, 8 of the top 10 asset managers, and 8 of the top 10 custodians rely on SmartStream's solutions.

SmartStream delivers greater efficiency, automation and control to critical post trade operations including: Reference Data Operations,

Trade Process Management, Confirmations and Reconciliation Management, Corporate Actions Processing, Fees and Invoice Management, Cash & Liquidity Management and Compliance Solutions. Used independently or as a suite of solutions and services, clients gain a lower cost-per-transaction whilst reducing operational risk, aiding compliance and improving customer service levels.

For more information about SmartStream visit:
www.smartstream-stp.com