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BY TRINTECH

6 Best Practices for a Cost-Effective Close Within the Banking Industry

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INTRODUCTION

Over the past decade, financial regulatory reform has increased dramatically, especially for banking and finance institutions. Simultaneously, there's been an increased focus on closing the books faster and more cost-efficiently than in years prior. As a result, these developments have dramatically increased not only the workload for their office of finance, but the risk associated with coming to a complete period end.

Unfortunately, despite these increased expectations that financial professionals are required to meet, the tools offered to handle these challenges have remained static.

In order to keep up with changes and increasing expectations in the banking and finance industry, adjustments to the day-to-day processes of financial professionals in this industry are inevitable. Within this eBook are six best practices within the office of finance that have helped to contribute to a compliant and cost effective close within the banking and finance industry.

1. STANDARDIZE, STANDARDIZE, STANDARDIZE

From slight revisions to the day-to-day operations to large-scale transformations to existing best practices, an ever-evolving landscape means that cost savings opportunities are almost limitless. However, no matter the adjustments that take place, the importance of standardizing change management across your organization to ensure maximum rewards cannot be understated.

Unfortunately, most banking and finance institutions handle their financial processes through disparate systems and rely heavily on manual processes, such as spreadsheets, binders and emails. And this unstandardized approach offers little in terms of both efficiency or effectiveness.

Implementing a consistent process throughout your organization will help to significantly reduce the hurdles that need to be overcome during the close process.

Learn More About a Centralized Solution

2. EVOLVE BEYOND THE MANUAL APPROACH TO THE FINANCIAL CLOSE

For most industries, it can be difficult to break away from the day-to-day grind. Despite any issues with current technology or best practices, fixing existing issues often holds an assumed disruption to their operations, and banking and finance organizations are no exception to this rule.

However, the reality is that institutions who wait for that perfect opportunity to fix problems, discover that time never comes. And the longer they wait, the further they fall behind their competition who actually took the time to evolve.

The current finance environment for banking and finance organizations is one that is plagued with antiquated technology. With a heavy reliance on spreadsheets, emails and phone calls to manage tasks critical to the Close, we all know that this approach is not a beneficial or long-term solution.

For these reasons and more, the more forward-thinking financial professionals have moved away from a mostly manual process and adopted Robotic Process Automation (RPA). RPA allows F&A teams to move past manual methods for conducting the financial close, strengthen the reliability of their controls and focus their time on more strategic objectives such as data analytics and other value-adding tasks.

3. INVEST IN RISK MANAGEMENT TO STAY AHEAD OF REGULATORY REFORM

According to Thomson Reuters[1], a new regulatory alert is released every seven minutes. Unfortunately, the only tools that F&A teams have to handle that kind of red tape are to search through government databases and try to be as compliant as possible.

Despite the expectation of full compliance, manually pulling updated regulations is an unrealistic way to keep up with such an undertaking.

Investing in automation to remove this manual process helps to ensure institutions remain compliant with appropriate and required regulations and frees up your team to focus on higher value tasks.

"A new regulatory alert is released every seven minutes."

REFINITIV

1. Compliance Management. (n.d.). Retrieved from refinitiv.com

4. LEAN INTO LEGAL ENTITY RATIONALIZATION

In recent years, Legal Entity Rationalization (LER) has become a popular trend amongst organizations within the banking and finance industry, and for good reason.

As a cost-cutting measure LER can be seen as the business equivalent of "cutting the fat." Separate legal entities cost time, money and resources to effectively hold and manage.

So, it makes perfect sense that institutions take a step back and make sure that they can rationalize what they have and cut the costs associated with maintaining multiple entities where appropriate.

"Legal entity rationalization can save up to 50 thousand dollars per entity."

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5. EVOLVE YOUR SHARED SERVICES CENTER

HISTORICAL EVOLUTION OF A SPREADSHEET-BASED SHARED SERVICE CENTER

While Shared Services Centers (SSCs) might not be a groundbreaking concept, it continues to gain ground within the banking and finance industry. The ability to centralize departments from HR to finance has allowed the banking and finance industry to tap into new levels of efficiency. And, while the transition to a globally centralized operation is neither simple nor quick, the results speak for themselves.

Conversely, if your organization has yet to centralize manual processes such as spreadsheet reconciliation or close cycle tasks, doing so through an SSC does offer a solid initial ROI.

However, as time passes, the more experienced SSCs have discovered that the cost savings that they once delivered no longer have the impact they once did. And, as the pressure to continuously provide additional value increases, shared service directors have leveraged automation to remove the manual tasks typically associated with an SSC, in order to perform higher value tasks such as data analytics.

It's undeniable that centralizing tasks within an SSC provides initial cost savings, but despite the initial savings that this strategy typically offers, an SSC strategy that depends on manual processes can only offer a diminishing ROI and denies more substantial overall returns.

To learn more about the benefits of a shared service center center, check out the resources below:

- Blog: Shared Services in Finance and Accounting
- Blog: Best Practices of Established Shared Service Centers
- eBook: R2R Insights for Shared Services

6. MOVE TO THE CLOUD

Unfortunately, there are a lot of misconceptions surrounding cloud technology within the banking and finance world. Common myths about this established IT solution range from security concerns to a larger total cost of ownership.

Unfounded beliefs like these deny BFSI professionals' both financial and time saving benefits to their office of finance. Cloud technology has come a long way from the 90s and is now, more than ever, capable of handling enterprise level business needs.

Benefits:

ACCESSIBILITY
Anytime, anywhere accessibility to the most up-to-date information

COST REDUCTION
24/7 support without IT spend for hardware, IT staff, or infrastructure maintenance

BUSINESS CONTINUITY
Highly-secure, redundant US and EU data centers to meet regulatory and business requirements

To learn more about the benefits of cloud-based solutions, read the blogs below:

- Is Moving to the Cloud Safe?
- What the History of Credit Cards Can Teach Us About Cloud Security Issues
- The Monetary Mishaps of Remaining On Premise
- Perks for Future Personnel
- Time Savings Tailored to Your Circumstances
- What all CFOs Need to Know about Cloud-Based Software Solution

CONCLUSION

As time goes on, financial professionals within the banking and finance industry will likely continue to see an ever-evolving regulatory landscape. As the amount of red tape to be cut through increases, there will be an equal increase in the difficulty to close in an efficient and effective manner, and organizations that are currently struggling to finish will become increasingly overwhelmed.

Additionally, the consequences of not staying complaint with the appropriate governing bodies range from millions in fines and loss of consumer confidence to serious consequences for the CFO who signed off on the documentation.

The manual processes and status quo best practices that financial professionals have historically depended on are no longer adequately suited to support the office of finance. Today's complicated challenges and competitive market require new solutions, and your organization must be willing to adapt.

Adapt Your Close Process

WANT TO FIND OUT MORE?

If you'd like to know more about this topic, including the many benefits of automating, please click on the relevant links below.

BLOG
Optimizing Your Finance Organization – Doing More with Less

BLOG
5 Steps to Improving Your Financial Processes and Controls with Technology

eBOOK
5 Reasons You Can't Rely on Spreadsheets for Your Reconciliations

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