The evolving role of the CFO in the digital age

Agile finance for financial services
Think back to your last quarterly earnings call or regulatory submission ...
... did you have to corral a team of financial analysts to painstakingly compile your quarterly results based on incompatible data across multiple line-of-business systems? Was your information already out of date by the time you presented it to analysts?

What if, instead, you could have virtual real-time visibility into the state of the business with access to information such as asset data, capital adequacy, risk exposure and profitability all broken out by geography, financial products or lines of business and based on reliable, bottom-up information that actually reconciles?

What if, during internal strategy meetings, you could contribute to setting the direction of the organization with complete, real-time access to connected financial and risk data?

What if your team members could spend their full efforts on business strategy rather than compiling spreadsheets?
That's the difference agile finance can make.

Today’s financial institution CFO is under tremendous pressure from a long list of challenges. New regulatory changes that are not supported by disconnected data sets and existing reporting engines. A finance team still trying to keep up with last year’s regulatory changes. Requirements to attest to capital plan submissions under increasing demands by the Fed. The need to create digital interfaces to share data with customers, who may question your relevance during the FinTech revolution. It’s a challenging role, getting tougher by the day.

Beyond the core responsibilities of overseeing standard finance functions with mundane “ticking and tying” across multiple accounting standards, CFOs are also being asked to become a strategic advisor to multiple areas of the enterprise, and embed finance processes into business processes.

To meet those expanding requirements, CFOs and their teams require immediate access to the right data, in one place, available in real-time.

Over an extended period of time, financial institutions tried to reactively develop point solutions that would solve burning platform issues with limited coordination between initiatives. As a result, the front, middle and back office would end up with diverging processes, systems and data models that make a consistent, detailed, end-to-end and insightful view of the business unthinkable.

The ability to obtain real-time insights was thought to be unachievable for financial institutions stuck with legacy, heterogeneous systems. Thanks to affordable computing power and in-memory data management, complex questions can be answered based on timely indicators, reports and dashboards based on a complete finance data warehouse. On-the-fly aggregations and big-data algorithms allow business users to crunch data at the lowest level of detail with diminished concern about the effect on production systems.

All this may seem visionary, but it is technology that already exists today – SAP’s S/4 HANA is an innovative agile finance platform, part of a cohesive finance architecture ecosystem.
Increased demand for finance data

In an environment where amazing advances in technology are all around us, finance stakeholders expect accurate, error-free information faster, in more detail and with greater frequency than ever before. Finance, risk and treasury departments must rethink their approach to enterprise reporting if they don’t want to miss the mark.

### External pressures
- Increased regulations on financial institutions
- Disclosure levels have increased enormously
- Peer comparisons by regulators and analysts are far more commonplace
- Demonstration of increased governance and oversight
- Stringent examination requirements
- Reputational risks

### Internal pressures
- Earnings and budget pressure
- Scarce resources and skills
- Inefficient and siloed business and processes
- Internal coordination challenges
- Inadequate decision support
- Limitations of existing technology
- Need for increased systems scalability

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S/4 HANA empowers finance to design multiple aspects of reporting through flexible hierarchies and the ability to section information based on multiple dimensions (e.g., product, region, customer type) in real time. This provides true data-driven insights enabling fact-based decision-making throughout the organization. Whether you are making decisions on product marketing, branch profitability, channel allocation, staffing requirements or any other driver of profitability, your proactive, data-driven insights can improve the accuracy, quality and timeliness of key decisions.

Also, by automating the processes involved with collecting and collating data, you can reduce the need for operational support in managing information flows. Instead of having dozens (or even hundreds) of people responsible for gathering data for your annual stress test, you can put your financial experts back to work on strategic-level thinking.

S/4 HANA centralizes a universal journal for legal and management insights with an integrated planning and consolidations capability. This core element is complemented by an ecosystem of leading practices and applications that enable a strong lineage to detailed contract information and advance reporting and analytics on a native in-memory information platform (SAP HANA). This approach enables a progressive decommissioning of the bottleneck represented by multiple legacy systems, empowering finance professionals to conceptualize, prioritize and build their own solutions to solve complex analytical challenges in finance.

The good news is that deploying a business and technology solution that enables comprehensive, real-time exploration of enterprise data doesn’t require a “big bang” replacement of legacy systems. You can achieve quick, incremental benefits from a baseline implementation that taps into your existing silos of information. EY can leverage our knowledge, acquired through multiple finance transformations in complex financial services institutions, in order to present an adequate transition road map that delivers incremental value while mitigating risks and rationalizing resource needs.

Although the role of the CFO has never been more difficult, institutions that adopt the agile finance approach will quickly find that what seemed to be insurmountable obstacles can be transformed quickly into achievable outcomes, setting the foundation for new levels of financial insights and business success.
The latest approach to agile finance removes the technology bottleneck of multiple legacy systems, empowering finance professionals to conceptualize, prioritize and build their own solutions to solve complex analytical challenges in finance.
Whether you are making decisions on product marketing, branch profitability, channel allocation, staffing requirements or any other driver of profitability, your proactive, data-driven insights can improve the accuracy, quality and timeliness of key decisions.
## Agile finance value enablers

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<tr>
<th>Key areas</th>
<th>Enablers</th>
<th>Benefits</th>
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<tbody>
<tr>
<td>Architecture</td>
<td>• Redesigned ledger includes data from all formerly separate modules, significantly simplifying reporting, enabling drill down, and eliminating reconciliations and timing differences (a.k.a. “universal journal”)</td>
<td>• Integrated process, data and application architecture</td>
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<td></td>
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<td>• Reduced data latency</td>
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<td>• Agility to respond to change</td>
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<td>Reporting</td>
<td>• Significantly more real-time management reporting capabilities in transactional environment</td>
<td>• More flexible, insightful and traceable reporting in real time on large volumes of data</td>
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<td>• Ability to report on massive databases from within the transactional system</td>
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<td>• Complex reports running in minutes or seconds</td>
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<td>Consolidation</td>
<td>• Consolidation tightly coupled with general ledger</td>
<td>• Increased speed to close</td>
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<td>• Ability to perform consolidations and month-end entries and adjustments in a central ledger</td>
<td>• Reduced data duplication and aggregation</td>
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<td>• Rationalized reconciliation requirements</td>
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<tr>
<td>Reconciliation</td>
<td>• Significant reduction in timing differences and reconciling items in end-to-end reporting</td>
<td>• Rationalized reconciliation requirements</td>
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<tr>
<td></td>
<td></td>
<td>• Minimized data duplication</td>
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<td></td>
<td>• More reliable balances</td>
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<tr>
<td>Integration</td>
<td>• Simplified integration of non-SAP or older SAP instances</td>
<td>• Improved data integrity</td>
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<td>• Drill down through multiple instances of SAP (even different versions, such as ECC6, 4.6c or S/4)</td>
<td>• Reduced data duplication</td>
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<td>• Significantly improved native visualization and reporting capability with graphics, worksheet interface and pivot table-type native functionality</td>
<td>• Agility to respond to change</td>
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<td>• Lower total cost of ownership (TCO)</td>
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<td></td>
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<td>• Enablement of better UX</td>
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10 business benefits you can realize from moving your company to agile finance
Real-time insights, both internal and external

Advanced simulation capabilities, improving reaction time in a fast-changing marketplace

Simplified business processes to enable innovation

Constant improvement without big-bang transformation

Automated, preventive controls, with proactive management of business risks

Global and inclusive finance teams that work closely with lines of business based on actual data

Reduced total cost of ownership for IT infrastructure, with higher scalability and lower risk

Flexible data model to support new requirements generated by lines of business or regulators

Intuitive user interface for fast onboarding of new finance talent

Simplified template enables easier tuck-in and carve-out capabilities

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EY’s dedicated Financial Services practice has formed a strategic alliance with SAP to create a series of accelerators for financial institution CFOs.
Solution accelerators for the entire CFO team

Agile finance delivers new capabilities for each of the key roles on the CFO's team. Some common scenarios supported by a bank deployment of agile finance are built to support the following team members:

- **CFO**
  - Use latest data to compare financial performance metrics against industry peers
  - Near-real-time monitoring of NIM (net interest margin) and Tier 1 capital to fulfill regulatory requirements

- **Controller**
  - Rapid calculation of accurate daily and monthly revenue and expense recognition
  - Rapid classification of deposits, loans and securities based on maturity and risk profile

- **Treasurer**
  - Near-real-time monitoring of daily liquidity
  - Rapid calculation of monthly cash flows
  - Incorporation of latest data to optimize liquidity management, cost of funds and funds transfer pricing

- **Head of Financial Planning and Analysis**
  - Help execute planning and forecasting insights that are based on current actuals
  - Eliminate long, disconnected budget cycles

- **Chief Risk Officer**
  - Immediate calculation of liquidity coverage ratios
  - Flexible options to conduct sensitivity analysis to evaluate potential impact on the bank's bottom line based on changes in interest rates, regulations and counterparty risk profiles

In addition, our solution accelerators include a complete range of ratios, key performance indicators, account balances and analytic indicators.
Drawing upon EY’s unmatched experience and backed by industry-leading SAP S/4 HANA technology, CFOs in financial services now have the capability to meet the growing, 360-degree demands of the marketplace with maximum agility.
EY's dedicated Financial Services Organization (FSO) has formed a strategic alliance with SAP to create a series of solution accelerators for financial institution CFOs. We understand the industry, and based on our decades of experience as trusted advisors to leading institutions around the world, we understand the inner workings of financial services better than anyone.

Within the FSO we have the human capital and the industry knowledge to know where you need to be and to get you there quickly. With those resources, we work with CFOs on generating road maps that can completely transform the finance function to the benefit of the entire organization.

We believe that SAP S/4 HANA is perfectly suited to help your company realize the vision of agile finance. Based on the capabilities of this powerful technology, information technology is no longer the bottleneck to achieving excellence. The new bottleneck is experience. Strategic advantage in the finance function depends on your ability to identify how best to take advantage of scalable and innovative IT platforms such as SAP S/4 HANA. Marketplace survival depends on being efficient in doing so.

Drawing upon EY’s unmatched experience and backed by industry-leading SAP S/4 HANA technology, CFOs in financial services now have the capability to meet the growing, 360-degree demands of the marketplace with maximum agility.