

VERTICAL FOCUS: WHAT MAKES THE FINANCE WORLD TICK

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FULL DISCLOSURE

EMIRATES NBD IMPLEMENTS A SOFTWARE-BASED
TOOL TO HELP SLASH THE TIME IT TAKES TO
DISCLOSE QUARTERLY FINANCIAL REPORTS

BY TOM PAYE

→
Surya
Subramanian,
group CFO,
Emirates NBD



Emirates NBD is one of the largest banking groups in the Middle East. It is a major player in the UAE corporate and retail banking arena, and on top of that, it has strong performance in the worlds of Islamic banking, global markets and treasury, and asset management and brokerage operations, to name a few. Headquartered in the UAE, the bank also has operations in Egypt, Saudi Arabia, Singapore, the United Kingdom, as well as representative offices in India, China and Indonesia.

As at 31 December 2014, the bank's total assets included AED 363 billion, over 11,000 employees and over AED 14 billion of total operating income. The group has a leading retail banking franchise in the UAE, with more than 215 branches and over 889 ATMs and CDMs in the UAE and overseas. And, going by its financial results — released quarterly —

Emirates NBD is the most profitable bank in the UAE.

Indeed, financial reporting is something that Emirates NBD takes extremely seriously. According to Surya Subramanian, group CFO, the bank aims to be at the forefront of transparency. He points to new regulations that make it compulsory for organisations to release and disclose unaudited full financials at the year-end within 45 days. However, he also says that Emirates NBD has been disclosing audited full financial results long before that law was put in place. He says that the bank sees it as something as a responsibility to be transparent.

"We have always been at the forefront of transparency in this market. If you talk to analysts, if you talk to others, they will tell you that, in terms of our press releases, in terms of the quality of the information, in terms of our investor relations engagement, we are ahead of the street," Subramanian explains.

"Of course, in recent years, everybody else has been catching up. Now, it's mandatory for companies to release the full financials at year-end within a limited timeframe. Before, you could opt to release full financials, or you could just give a summary and press release for the year. But we were one of the few companies that would always release audited full financials, even for the quarterly results."

One of the most important things to consider when disclosing financial results, however, is how long they'll take to be released.

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SURYA SUBRAMANIAN, GROUP CFO, EMIRATES NBD

And recently, Emirates NBD adopted a technology that would help the company slash the time and effort it required to disclose quarterly results.

Business challenge

According to Subramanian, disclosing financial results is an arduous task, which takes up plenty of the finance team's time. This is down to a simple reason — the results have to be error-free. Numbers need to be counted, re-counted, and drawn up into reports, which then have to be audited. However, actually writing the report, according to Subramanian, is "the last mile" — there is much work that goes on before the report is drafted that leads up to the eventual financial disclosure.

Unfortunately, for Emirates NBD, releasing financial reports, in detail, every quarter was becoming too fraught with problems. He puts this down to a few things. First, the company did not have any technology solutions specifically designed for reporting that it could use to make the process easier. And more importantly, the bank's internal processes were not best suited to the job. However, the two go hand-in-hand. Realising that IT could help with financial disclosure, Subramanian also contended that it would not be right to systemise a flawed process — so before evaluating any technology solutions, he went about "cleaning up" the in-house process.

"In most organisations, if you go, most staff would say that we lack systems. But the reality is that you will always lack systems, because systems are ever-changing. What was a good system five years back is no longer a good system today. If your premise is that I'm going to have good systems, it will solve my problem, you're



ADS CASE STUDY SUMMARY

OBJECTIVE

Having committed to disclosing full financial results instead of a mere press release at the year-end, Emirates NBD needed a solution that would help lessen the load on the financial team when it came to drawing up financial reports.

SOLUTION

Following the evaluation of a number of products, Emirates NBD chose to implement SAP Disclosure Management through MDS ap. The decision was taken not only on the strength of the product, but also of the partner that would implement the technology.

RESULTS

Emirates NBD can now generate quarterly financial reports 40% quicker compared to the previous year — a timeframe of about eight days saved. This has afforded the financial team more time to conduct other analytical activities, while stakeholders in the business are now given access to financial information earlier.

bound to fail. Systems are an integral part of the solution, but it's not the only part," he explains.

"What we found more important was people and process. You have to get your process right, otherwise you're systemising a complicated process. The problem with systems is, because they are so fast, you don't realise that the process is complicated. If a human being had to do it, it would take you 100 years, but the system does it straight away. But you don't realise, then, what the control challenges are."

Having cleaned up its in-house processes — things like keeping on top of invoices, ensuring that the general ledger is closed on the last day of the month, and processing salary payments before the end of the month — Emirates NBD still had a problem with going to market with its financial results. Things were much easier, because much of the work behind the scenes had already been done, but when it came to actually drafting the reports, the finance team still faced trouble.

"We have, let's say, four people working on the quarterly financial statements. Each of them is working on one section, one table. They have different formats, different pagination, but they're all supposed to reconcile to one total. Eventually when you bring it all into one document, you're typing it into a Word document, you're taking data from an Excel table, and typing it into a Word document. First of all, there's time wasted in typing. Second, you could have transposition errors — I read it as '35', I type it as '53', for example. Then somebody has to add all the numbers on the Word document to make sure you haven't missed anything in transposition, or if the total doesn't tie up," Subramanian explains of the difficulties.

"Then, let's say you want to change, or recast last year's data because you've reorganised your divisions or something. That takes its own time and toll, and you need to control it. Then you bring it all into one document, and let's say there's a new note, and I want it in position note number 10. This means, what was 10 becomes 11, and what was 11 becomes 12, and so on. Then I've got to go back to my front page and change the references. All of these, I call them niggling things — formatting, pagination, indexation, control over versions, cross-casting, rounding — you may think they're silly matters, but I'll tell you it takes literally a week or two weeks, even after the broad financial statement is done, just eliminate all of these errors."

Subramanian adds that the need to translate the reports into Arabic threw up its own problems with formatting and accuracy. Having identified the challenges, then, Emirates NBD looked to the world of IT to see if the job of disclosing financial results could be made a little bit easier.

The solution

While Subramanian admits that the monetary value of this IT project was not that high, he adds that the impact of the project would directly affect the reputation of the bank. Financial reports have to be perfect, after all. Therefore, an RFP was floated, and Emirates NBD evaluated a number of products. The one that stood out was SAP Disclosure Management, which would be implemented by local systems integrator MDS ap. According to Subramanian, both the technology solution itself, and the quality of the partner, played a role in the decision.

"Partners are important. For almost all solutions, you need an implementation partner, so when we evaluate, the RFP, we don't



just evaluate the product itself, we evaluate it as a package deal to see who is the implementation partner,” he says.

“Luckily, in this case, it was a case of the software meeting our requirements, and the implementation partner giving us the confidence that they could deliver the solution within the timeframe.”

The SAP Disclosure Management application allows financial statement report generation to be automated, rather than manual. It also offers validation with version control, tracked changes, fast adjustments and restorations to previous versions. Changes are therefore easier to follow, saving time on last-minute updates, which can be done with a press of a button.

“It eliminates a lot of the problem, and the bit it doesn’t eliminate, it will at least point out that there’s a problem here, go and fix it. Whereas earlier, you had to read through the entire 30 to 100 pages of the document each time you make a change. Here, it’ll automatically highlight your problem on page three, which doesn’t tie back with page two, there’s an indexation error. But now, for example, if I change an index number, everything is automatically cross-referenced. A simple thing like that takes an hour or two off the chain,” explains Subramanian.

“But there’s a far bigger advantage — now there’s version control. There’s auditability. And even distributed work, I can create templates so that everybody is working on the same format, the same font, the same type size, and I can distribute work for multiple sub-tables, and it can all be imported into this and merged into one document. And each section of it can be reviewed and audited separately, so that, when it all comes together, you don’t have to re-review and re-audit.”

“WHAT WE FOUND MORE IMPORTANT WAS PEOPLE AND PROCESS. YOU HAVE TO GET YOUR PROCESS RIGHT, OTHERWISE YOU’RE SYSTEMISING A COMPLICATED PROCESS.”

As with any implementation, there were teething problems. According to Subramanian, some of this was system-related – software glitches and the like – while others were process-related, i.e. Emirates NBD’s team had to adjust to the workflows that the new system demanded. However, SAP fixed the software-related issues, and, in terms of the workflows, MDS ap helped the bank to understand how to get the most out of the tool. What’s more, the process-related work that Subramanian had done before the project meant that there weren’t too many issues with change management.

Business benefit

As a result of implementing SAP Disclosure Management, Emirates NBD has achieved 40% faster generation of financial statements compared to the previous year. It has also achieved 50% faster generation of variations to key financial reports when required for reclassification or corrections. This has had untold benefits on the people working within Emirates NBD to generate reports.

“The internal benefit is that now my staff have eight more days to do something else, which is of value to the organisation and its stakeholders — be they shareholders, customers and so on. The annual and quarterly reporting process does take a lot of time, and it takes a toll on people, so my people are more energised, they have more time to do other things which are valuable both to their personal development and to further the functions of the organisation and benefits to its stakeholders,” Subramanian says.

Meanwhile, there are external benefits to getting reports out faster, too. In Western markets, there is a correlation between the quality of a company’s reporting, and the speed and timeliness of reporting, with trends and share prices. Naturally, Emirates NBD does not manage to a share price, however, as stated earlier, it is an important company operating in the UAE, meaning that its results can be used to gauge the overall health of the economy.

“We are a bellwether organisation in the UAE economy, and a lot of people are waiting to see our results to understand the direction of the economy. To that extent, the sooner we report, I think, it’s early information to people as to how one of the bellwether companies within the economy is doing,” Subramanian explains. ■