



Sumitomo Mitsui Banking Corporation Europe Brings Spreadsheet Landscape Under Governance with ClusterSeven

Sumitomo Mitsui Banking Corporation Europe Limited (SMBCE) is a subsidiary of Sumitomo Mitsui Banking Corporation, one of the Japanese mega-banks. Founded in 2003 and headquartered in London, UK; this commercial bank operates branches in Amsterdam, Dublin, Madrid, Milan, Paris, and Prague.

Spreadsheet risk identified

Like most organizations, SMBCE has in place a number of core enterprise systems to support their business; and to generate the necessary management information. Simultaneously, the Bank also uses spreadsheets for a variety of business-critical processes. As with most organizations, due to the rapidly evolving requirements of the business, often the enterprise systems aren't agile enough to be able to immediately make changes to the existing processes, or create new ones, reports or functionality and so on.

The spreadsheet landscape at SMBCE was large and its management and monitoring was restricted to basic tools and manual processes, which is not unusual for a large number of organizations. This presented challenges with respect to data governance around the spreadsheet models for regulatory compliance or audit purposes. Kevin Haylock, Director in the Risk Management (RM) department at SMBCE explains, "The challenge with respect to governance was seen as an area of improvement we wished to address. It was also a new risk to the Bank, which had not been previously formalized."

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Kevin Haylock, Director in the Risk Management Department

ClusterSeven isn't a mere solution, it's a tailored proposition

To address the situation, SMBCE investigated a number of spreadsheet management solutions providers before selecting ClusterSeven. SMBCE chose the ClusterSeven platform for its functionality and suitability for the organization, and proven track record for successful deployment in banks and financial services organizations.

"Perhaps the biggest reason why we chose ClusterSeven is the team's consultancy-led approach to implementation," the Director in the RM department, said. "They weren't trying to sell us a piece of software, they were offering a proposition – a tailored approach that would work for our business, rather than the other way around. This gave us confidence in the company."



A six-week proof of concept was undertaken in the Market and Liquidity Risk group in the RM department. ClusterSeven supported the design and establishment of a suitable framework to assess the risk of unmanaged spreadsheets to the group from financial, regulatory, operational and reputational standpoints based on the internal risk management framework's methodology. This enhanced spreadsheet management framework enabled the Bank to understand its spreadsheet environment, identify where the risks lay and instituted the necessary automated controls to mitigate them.

ClusterSeven deployed in the Risk and Finance departments

In the first instance, SMBCE deployed ClusterSeven in its RM department alongside the Finance department. Both these functions are heavy users of the spreadsheet for data modelling and reporting.

"ClusterSeven has highlighted the challenge of manually managing spreadsheets, but more crucially brought to light the risk that poor control of change management can be to the Bank's risk and finance functions," the Director in the RM department commented.

Under guidance from ClusterSeven, SMBCE has taken a very thorough approach to adopting spreadsheet management in the Bank. Recognizing that end user error is the key cause of spreadsheet risk, the Bank has designed an end user computing (EUC) policy and rolled it out to the RM and Finance departments. The policy provides detailed guidance to spreadsheet users on how they must rate criticality, how they can identify a potential risk in a spreadsheet, what change management processes need to be followed and what the responsibility and accountability of the spreadsheet owners are.

A key part of the policy is a matrix, which defines the various levels of criticality of spreadsheet as well as the riskiness of the spreadsheet itself. It highlights the links between the various parameters pertaining to spreadsheet management. For instance, a spreadsheet may be low or medium risk in and of itself (i.e. due to its lack of complexity, lack of coding or error cells), but could be critical to the business from an operational perspective. In this case, the owners/users of the file would be required to impose additional controls over the spreadsheet and remediate any errors present. The business would also be required to consider decommissioning the file to mitigate a potential impact - regulatory, financial, reputational or operational and replace it with an IT application.

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ClusterSeven delivers efficiency gains

Today, the two departments at SMBCE have complete visibility of all the critical spreadsheets (prioritised by criticality) across their lifecycle - from creation through to retirement. These files reside in the ClusterSeven solution.

The efficiency gains delivered to the departments via the automated control framework provided by ClusterSeven are significant. The departments are able to easily track and closely monitor the changes being made to these spreadsheets in adherence to the EUC policy. More crucially, where the EUC control and management processes aren't being followed, those spreadsheets immediately get flagged to the process/model owners.



This plays an important role in governance and in maintaining the accuracy and integrity of data. Also, where deemed important, the departments are able to decommission critical spreadsheets and move the data to the enterprise system for confidentiality and data security.

ClusterSeven Bank-wide, and can already see the benefits the solution is delivering to the two departments that have already implemented it. In fact, the success of ClusterSeven in RM and Finance is garnering interest from several other business functions too."

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ClusterSeven to help minimize regulatory risk

ClusterSeven will play a significant role in helping control spreadsheets to minimize regulatory risks. This is driven by the ever-growing and stringent reporting requirements stipulated by Common Reporting (COREP), the reporting framework issued by the European Banking Authority for the Capital Requirements Directive; and the Sarbanes Oxley Act of 2002.

"As the requirement of regulatory reporting has grown, so has the use of EUC applications in the organisation. The number of reports we need to submit have increased many fold. An understanding, visibility and control of our EUC landscape is vital. The ClusterSeven solution will assist us with our own internal business risk management and governance, and in complying with the regulatory mandate," the Director in the RM department added.

The Director in the RM department concluded, "There is no doubt that a controlled and actively monitored spreadsheet environment is absolutely fundamental to minimizing a variety of business risks today. While spreadsheets pose risks, they also deliver value. We are in the early stages of deploying



For more information about ClusterSeven,
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