

Federal Regulators Use EA to Improve Financial System Oversight

An EA-driven analysis enabled Federal regulators to implement a streamlined data collection process that reduces costs, increases productivity, and improves oversight of financial institutions.

BANKING AGENCY PROFILE

The Federal Deposit Insurance Corporation (FDIC), the Office of the Comptroller of the Currency (OCC), and the Federal Reserve System (FRB) regulate financial institutions to ensure the safety and soundness of the U.S. financial system. For example, 1) Insuring \$4 trillion in deposits in about 8,600 financial institutions; 2) Managing risks to the deposit insurance funds; and 3) Limiting the effect on the economy and the financial system when a bank or thrift institution fails.

THE SITUATION

The quarterly "Call Report" is a collection of financial statement information used for multiple purposes. It is a key monitoring tool used by the agencies to assess the health of banks and of the industry.

Before re-architecting their systems, the agencies each had different methods for collecting Call Report data, and each collected the data independent of the other. For example, FRB previously collected and validated data using a distributed process across its Federal Reserve Banks while FDIC concurrently collected the data using a centralized process at its headquarters. The agencies then exchanged data continuously to ensure each had the most recent data validated by the other agencies. While most banks submitted their data in an electronic format, approximately 30% of the time the data had mathematical inconsistencies. These inconsistencies necessitated a labor-intensive, time-consuming manual review process that delayed data publication.

THE SOLUTION

Seeking to leverage the benefits of the Internet, the agencies developed an architecture which standardized and simplified their data collection process using eXtensible Business Reporting Language (XBRL). XBRL is an XML-based technology that was used, in this case, to push data validation out to the data providers.

THE RESULTS

This EA-driven analysis enabled the agencies to achieve tangible and measurable results. Key results of this project include:

- **Data quality standards transparency reduced rework.**
Currently 100% percent of the data received meets mathematical requirements. This is up from the approximate 70% accuracy under the old system and means the FDIC avoids significant rework costs each year.
- **Increase in staff productivity.**
These changes meant the workload for FDIC analysts could be increased by at least 10% (and sometimes up to 33%) leading to an annual cost savings of more than \$500,000. Beyond reducing actual staff salary costs, an increase in productivity also means the costs of recruiting, managing, providing office space, and maintaining security access controls for staff members is also reduced.

Other results are much more difficult to measure, but may be more important in maintaining public confidence in the U.S. financial system. These results include:

- **Raising banking problems to the oversight community more quickly.**
The new system and process delivers data to analysts as quickly as the day it is filed, versus as late as 30 days after the data was filed previously. This means problems can be identified and addressed much faster than before.
- **Improved security via secure transmissions, a central "system of record", and reduced data traffic.**
Relative to the previous system and process, the current reporting mechanism is more easily secured, has reduced unneeded redundancy, includes end-to-end security, and has reduced unnecessary Call Report data traffic.