SAP Fioneer

# The case for an industry-specific subledger:

## Control, auditability and better steering

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## Introduction

Financial institutions are being asked to do two things at once: prove every number in the financial statements and make faster, forward-looking decisions in volatile markets. That's putting new pressure on subledgers—the accounting layer that provides granular traceability from business events to accounting outcomes, while feeding management steering with consistent data.

Yet many banks and insurers still rely on a patchwork of homegrown components and generic posting engines. The result is opaque accounting logic, slow reconciliation, duplicated effort across GAAPs and entities and a growing gap between how Finance reports "what happened" and how Risk models "what is expected to happen."

This ebook explains why the right subledger has gone beyond accounting to become a strategic platform foundation. We outline the limitations of legacy approaches, compare industry-agnostic vs. financial-services subledgers and describe what "good" looks like: a controlled, auditable foundation that integrates with risk and core systems, reduces audit and change risk and improves decision-making today and tomorrow.

## The challenges of current subledgers for financial reporting

Financial institutions depend on subledgers to meet rising regulatory demands and to steer the business in volatile conditions. Yet most banks and insurers still rely on a mix of homegrown components and generic posting engines that create obstacles rather than enablement.

> Banks account for about **$650B** of global annual IT spend, and banking typically spends **~6–12%** of revenue on IT. Yet many institutions still struggle to realize value due to legacy platforms and fragmented architectures.
> McKinsey & Company: Managing bank IT spending

These legacy approaches lack transparency, are costly to maintain and fail to support the granularity and flexibility modern accounting frameworks require.

### 01. Homegrown systems are opaque, inconsistent and costly

While often born out of necessity, homegrown approaches were never designed to scale with today's regulatory, data, and product complexity.

These issues manifest in several critical areas that directly impact reporting accuracy, control and the cost of change:

#### Fragmented accounting logic with no transparency and weak control

Because each product or business line builds its own accounting logic, institutions end up with **dozens of mini-systems and inconsistent data.** This patchwork infrastructure rarely connects top-level financials back to underlying business events, making it difficult to substantiate general-ledger balances with detailed, transaction-level evidence.

Over time, they become opaque and expensive to operate as they require heavy customization, manual integration, and constant maintenance.

These disparate systems also exacerbate the effects of existing data silos. Finance, risk and management reporting frequently rely on different data sources, producing conflicting views of profitability, capital, and liquidity. This fragmentation only increases the likelihood of **errors** in financial and regulatory reporting and maintaining compliance and substantiated, controlled accounting.

This lack of traceability weakens the audit trail and makes **substantiation of general-ledger balances increasingly difficult**, especially as regulators expect institutions to evidence every reported figure back to underlying business events.

Deloitte's BCBS 239 Benchmark Survey found **72%** of banks have defined a data-quality risk appetite, but only **17%** have operationalized it—highlighting the control gap between intent and execution.

**Multiple GAAPs require duplication and manual work**

Banks and insurers must report under multiple accounting standards (IFRS, US-GAAP, local GAAP). Homegrown systems often require duplicate ledgers or manual adjustments to achieve multi-GAAP reporting. But this increases operational complexity and maintenance overhead.

**Loss of timely information, reconciliation, and compliance**

Homegrown systems are not agile. Without contract-level detail, reconciliation becomes slow and investigative rather than automated.

Legacy systems tend to summarize data early, often before information reaches the subledger. For example, source systems may send daily net movements rather than contract- or event-level postings. This early aggregation removes the granular audit trail needed for fast reconciliation, variance analysis, and regulatory responses.

Without a complete audit trail, finance teams struggle to meet substantiation requirements and cannot reliably demonstrate how balances were derived, slowing both internal and external assurance activities.

Regulatory, accounting, and product changes also present challenges for systems built in-house. Whether driven by IFRS 9, IFRS 17, ESG / financed-emissions reporting or new product launches, each change requires extensive re-engineering in fragmented architectures. This delays compliance and increases operational risk.

These reconciliation issues keep close cycles longer than necessary, reducing Finance's capacity to **analyze performance** and respond quickly to business management or regulatory requests.

New research from TheCityUK and PwC UK estimates annual regulatory compliance costs across UK financial services exceed **£33.9B**, representing **13%+ of average operating costs.**

**Disconnect from risk management's view of "what is expected to happen"**

Traditional homegrown approaches typically reflect contractual cash flows and static rules rather than the **forward-looking, probability-weighted view used in risk management**. As a result, in-house solutions fail to adequately incorporate expected credit losses, prepayment behavior or other risk-adjusted expectations, falling short of the requirements of modern risk-aware accounting regimes, such as IFRS 9.

## 02. Generic posting engines are just toolkits that must be built from scratch

Even institutions that avoid homegrown builds by adopting standard posting engines face similar challenges.

Standard posting engines are not designed specifically for financial products. They provide a one-size-fits-all technical framework for recording debits and credits, leaving banks or insurers to **build all accounting logic and data models themselves.**

Traditional toolkits lack native support for multi-GAAP reporting, valuation movements, expected cash flows, amortized cost calculations, or insurance accounting structures, such as CSM. For example, each product, GAAP, or event type requires custom logic, which quickly becomes unmanageable and opaque. Yet, adapting these toolkits to fragmented legacy architecture makes them difficult to document, adapt to new regulations, harder to test and nearly impossible to scale.

The result is not just higher cost, but a fragile bespoke architecture that must be **rebuilt for every product, rule change or regulatory update.**

## Industry-agnostic vs industry-specific subledgers: A capability comparison

| Dimension | Industry-Agnostic Cloud and Accounting Solutions | SAP Fioneer's Subledger |
|---|---|---|
| **Industry Fit** | Generic, cross-industry design; limited banking/insurance specificity | Purpose-built for financial services with native product, valuation and risk logic |
| **Accounting Coverage** | Limited multi-GAAP support; industry-specific methodologies often require add-ons | Full multi-GAAP (IFRS, US GAAP, local GAAP), regulatory and multi-regime accounting out of the box |
| **Financial Product Logic** | Minimal or no built-in support for financial instruments; relies on custom rules | Rich, preconfigured logic for loans, deposits, securities, derivatives, insurance contracts, structured finance |
| **Valuation and Impairment** | Basic valuation; limited capabilities for IFRS 9, expected cash flows and impairment modeling | Embedded valuation, ECL, classification management and expected-cash-flow engines |
| **Scalability for Transaction Volumes** | May experience performance constraints at high volume; not optimized for FS workloads | Engineered for high-volume, high-granularity accounting across large portfolios |
| **Subledger Capability** | Typically, no true standalone subledger (often bundled with thick GL platforms) | Full standalone subledger that integrates with any GL, keeping the GL lean |
| **Workflow and Reconciliation** | Missing or basic reconciliation-break workflows; manual processes required | Integrated workflow for reconciliation, break handling and audit trails |
| **Integration Model** | Focus on generic integration and data pipelines; banking specifics require custom build | Integration with risk, treasury and core banking systems; designed for FS architectures |
| **Cloud and Architecture** | Often cloud-native; perceived as easy to deploy but requires customization for FS needs | Cloud-ready, modular architecture with prebuilt FS content, reducing project complexity |
| **Extensibility and Tooling** | Often provides a toolbox or rules engine requiring heavy configuration | Provides ready-to-use FS accounting logic with extendibility where needed—not a blank toolkit |
| **Auditability and Traceability** | Basic journal-entry visibility; limited drill-down into valuation logic and risk data | Full traceability to lowest-granularity events, expected cash flows, risk stages and model inputs |
| **Implementation Complexity** | Requires significant configuration and sector-specific customization | Faster projects with prebuilt FS logic, simplified posting design and standardized integration |
| **Regulatory Alignment** | Compliance often requires additional modules or custom development | Built-in compliance and regulation by design with IFRS, US GAAP, Basel/Solvency integration, impairment engines |
| **Use Cases Beyond Accounting** | Limited use for risk alignment, ECL, forecasting and steering | Supports risk-finance alignment, scenario analysis, forecasting and steering use cases |
| **Steering and Decision-Making Insight** | Primarily backward-looking financial reporting; limited support for expected cash flows, risk-adjusted insights or scenario-based steering. | Forward-looking, risk-integrated insight with expected cash flows, ECL, valuation and scenarios; consistent granular data enables pricing, capital, liquidity and profitability steering. |
| **Overall Positioning** | Flexible general-purpose platforms for broad industries | Purpose-built FS subledger delivering accuracy, scalability and risk-integrated accounting |

## Why industry-specific subledgers outperform homegrown solutions and standard toolkits

While generic templates and engines must be reinvented for every product or rule change, an industry-specific subledger comes with built-in, audit-tested capabilities to manage complex aspects, like tracking financial instruments (e.g., loans, bonds or derivatives) and lifecycle events, and automating alignment with accounting compliance standards necessary in industries like banking and insurance. This enables a **granular and transparent view across financial products and lines of business**, providing teams and executives with a deeper understanding of business health and performance.

With a standardized, auditable and future-proof accounting foundation tailored to the realities of banking and insurance, financial institutions minimize integration and large-scale project failure risk.

Unlike homegrown builds and generic posting engines, industry-specific subledgers remove the need to repeatedly re-engineer accounting logic or reconcile inconsistent data.

Here is how subledgers designed for financial products improve accounting and business steering.

### 01. Complete, end-to-end accounting functionality out of the box for greater transparency and control

A subledger designed for financial products offers pre-built accounting logic for financial instruments and insurance contracts that banks and insurers can use out of the box. It relies on trusted, persisted accounting data and integrates with the general ledger. Finance, risk and management-reporting teams work from the same data sources, producing consistent figures quickly.

Standardized, granular data models align to banking and insurance requirements, while remaining agnostic regarding the accounting regime and risk systems. This means finance, risk and actuarial teams apply their respective measurement frameworks without duplicating data models or transformations.

This standardized logic ensures transparency, traceability, and auditability, reducing errors. Auditors can easily see how a reported number was derived. Leading subledgers like SAP Fioneer's have also been proven to work globally and across various lines of business at leading financial institutions, instilling greater confidence in auditors and regulators.

**Industry-specific subledgers also adapt quickly to regulatory and accounting updates.** Because core accounting logic is standardized and maintained centrally by the vendor, institutions avoid the repeated re-engineering effort required in homegrown or generic-toolkit architectures. This reduces implementation risk, shortens update cycles, and ensures ongoing compliance with evolving frameworks.

## 02. Supports multi-GAAP accounting to enhance consistency and reduce manual configuration

Industry-specific subledgers offer ready-to-use processes for financial products, which range from loans and deposits to derivatives and insurance policies, to prevent manual configurations common in generic posting engines and in-house builds.

They are natively compliant with financial-regulatory accounting frameworks and standards (e.g., US-GAAP, IFRS 9, IFRS 17, ESG), supporting multi-GAAP and multi-entity accounting to deliver faster compliance and adaptability to frequent changes.

## 03. Offers timeliness of data, reconciliation and compliance

Instead of summarizing early, modern subledgers retain the necessary level of detail, whether at contract level or at portfolio level where standards permit, while keeping the general ledger lean with only aggregated, controlled postings. This ensures complete transparency and traceability without overwhelming the general ledger.

Every transaction and valuation movement can be seen end-to-end within the subledger, enabling instant drill-downs, automated reconciliations and materially faster close cycles.

By acting as the single source of granular accounting truth, the subledger **replaces isolated homegrown components** and eliminates manual data movement, greatly reducing reconciliation risk. Finance teams gain confidence in reported numbers and can substantiate them easily to auditors and regulators.

Modern industry specific subledgers also integrate seamlessly with risk and general-ledger systems, ensuring consistency between traditional accounting and expectation-based, forward-looking measures used in risk management.

## 04. Provides a risk management's view of "what is expected to happen"

A subledger overcomes the major limitation of homegrown systems, which treat risk and accounting as separate processes with inconsistent assumptions

Industry-specific subledgers solve this by natively supporting forward-looking, probability-weighted measures and integrating seamlessly with risk engines. They process both contractual and expected cash flows, enabling accurate calculation of expected credit losses under IFRS 9, fair value movements, behavioral adjustments, and insurance-specific projections. The result is a unified platform where **risk assumptions, measurement results, and accounting entries are automatically aligned and traceable.**

Designed around banking and insurance balance-sheet structures, modern subledgers like SAP Fioneer's provide full coverage across the asset and liability sides, supporting asset–liability management (ALM) and risk-management scenarios without additional reconciliation layers. This ensures that financial reporting reflects not only **what has happened, but also what is expected to happen.** This results in more reliable provisioning, pricing, capital planning, and business steering.

> In the same Deloitte BCBS 239 survey, **68%** of banks expect more effective business steering from BCBS 239 principles, but only **21%** say they've achieved it so far.

Because these subledgers can be extended as new standards emerge (e.g., ESG, net-zero financing requirements or future regulatory expectations), they provide forward compatibility while reducing long-term operational complexity.

## The right subledger restores control and enables better steering

Modern financial institutions can't afford accounting foundations that are opaque and disconnected from the risk view of the balance sheet. Homegrown components and generic posting engines may record debits and credits, but they often create fragmentation, duplicated logic across standards, slow reconciliation and audit challenges, especially when regulators and auditors increasingly expect traceability from reported figures back to underlying business events.

By consolidating these capabilities, an industry-specific subledger, such as **SAP Fioneer's** replaces patchwork architectures with a standardized, granular and auditable foundation. It supports multi-GAAP and multi-entity requirements without constant re-engineering, preserves the detail needed for substantiation and fast close and integrates cleanly with risk, treasury and the general ledger, keeping the general ledger lean while improving transparency.

The result is a subledger that does more than "post." It delivers the accounting, steering, and integration capabilities needed to maintain control, reduce audit risk, and make better decisions today and as products, regulations and expectations evolve.

**Ready to modernize your subledger foundation to strengthen control, reduce audit risk and improve steering? Contact us to discuss your priorities or book a demo to see it in action.**

SAP Fioneer

## About Fioneer

SAP Fioneer provides software solutions for banks and insurance companies: built on rock-solid technology and bold creativity.

In 2021, a group of financial services experts at SAP realized their clients needed a faster, more flexible partner that could move at their pace, adapting to the fast-changing landscape. Joining forces with entrepreneurial investor DEDIQ, SAP Fioneer was born – a start-up with the weight of a global software company behind it.

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