A Comprehensive Subledger Solution for Finance Transformation
Simplify accounting for financial products

Many companies still use fragmented, homegrown transactional systems to run core processes, which requires IT departments to create custom interfaces that flow data to reporting and analytic systems and the general ledger. The situation is complicated by new regulations such as IFRS 9 and IFRS 17. The path forward is simplification – but how?

SAP can help – because we specialize in helping businesses run simply. Leveraging more than 45 years of experience in finance, we’ve developed the SAP S/4HANA® solution for financial products subledger, which is designed for the complex regulatory and reporting environment facing today’s banks, insurance firms, financial technology companies, and financial corporations.

This powerful solution lets you simplify IT complexity by consolidating data silos and creating a central hub for managing data between operational and finance systems – all while streamlining accounting flows and increasing transparency and control. And because it takes advantage of our industry-leading in-memory computing platform, the SAP HANA® business data platform, you gain the flexibility and speed you need to swiftly comply with evolving regulatory requirements and access insights for faster, better decisions.
Paving the way for true financial transformation

SAP S/4HANA for financial products subledger is a dedicated, multi-GAAP, multicurrency, and multientity accounting subledger built for your digital business. Based on a logical accounting process model, it provides a business-oriented configuration that simplifies your implementation. You gain a solution based on a centralized accounting rules engine and specialized calculators that help ensure data quality, completeness, and accuracy. As a result, your data is booked, versioned, and audit ready.

The financial products subledger capability can help reduce the number of general ledger (GL) accounts required for your business by as much as 92% (according to SAP internal research) using the software’s multidimensional accounting functionality. Tight integration with GLs keeps data redundancy to a minimum and provides drill-down capabilities to the transaction level.

Engineered for high-end performance, the subledger can handle even the largest data volumes efficiently and process operational business events in near-real time. At the same time, IT can use the subledger to reduce technical complexity and provide business users with instant insight, along with full data lineage and transparency. As a result, business users can access data on the fly, make better decisions, and think and act more quickly.

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The financial products subledger integrates into the accounting documentation chain, paving the way for true financial transformation. For example, you can:

- Document all transactions – from a GAAP-specific perspective – on a contract, instrument, or portfolio level
- Leverage integration with finance functionality in SAP S/4HANA to perform drill-downs from an aggregated view at the GL-account level all the way down to very granular levels in the subledger, enabling detailed analysis and greater insight

- Use enhanced calculation and accounting capabilities
- Simplify the preparation of estimated cash flows provided by actuarial systems for insurance companies

In addition, this subledger centralizes all accounting data and rules for financial instruments and insurance contracts, unburdening product systems from accounting and controlling tasks. This significantly reduces costs and makes it easier to reconcile different sets of books.

Standard interfaces allow you to simplify access to all information necessary for reporting purposes.
SAP S/4HANA for financial products subledger uses the in-memory capabilities of SAP HANA to enable a scalable, multidimensional data model that's optimized for a hyperscale cloud and supports advanced functionality for data volume management.

In addition, with embedded analytics and reporting based on SAP Fiori® apps, SAP S/4HANA for financial products subledger supports sophisticated data analysis to facilitate financial steering. Data and analysis can be visualized easily, as illustrated in the figure on the next page.

Business users can access and visualize real-time financial insight at any level of detail for faster, better decision-making.

Paving the way for true financial transformation

Powered by state-of-the-art SAP technology

Subledger accounting for financial instruments

Subledger accounting for insurance contracts
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Subledger accounting for financial instruments

Subledger accounting for insurance contracts

**Figure 1: Insight Gained from Award-Winning User Experiences Based on SAP Fiori® Apps**
Subledger accounting for financial instruments

With the financial products subledger, you can keep all accounting rules pertaining to financial instruments in one place, including rules for all relevant measurements and amortization approaches and complicated lifecycle events such as modifications. In addition, it comes with a multicurrency accounting concept that provides information on currency-related questions such as exposures and gains.

By combining financial and cost accounting, you can produce multiple, reconciled valuations for financial products. In addition, support for suspense accounting provides the robust functionality needed to efficiently manage inaccurate input data from source systems and ensure books meet the basic accounting requirement of completeness.

Impairment functionality is also an integral part of the subledger. This functionality covers all relevant calculation methods and provides openness for importing results from third-party applications or in-house systems such as credit risk parameters, expected credit loss amounts, and behavioral cash flows. You can determine analytical statuses (such as the impairment stages) using rules and store them in an auditable way. The subledger’s powerful process infrastructure – which is powered by SAP HANA – provides a full audit trail and traceability, applying a multidimensional versioning concept.

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**Subledger accounting for financial instruments**

Subledger accounting for insurance contracts
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SAP S/4HANA for financial products subledger is the ideal solution for insurance companies seeking to address the complexities of traditional, monolithic architectures. The core of this solution – the multi-GAAP accounting engine – is complemented by a module supporting the preparation of estimated cash flows provided by actuarial upstream systems. It also supports enhanced processing of actual payments and business transactions and delivers built-in functionality for managing the requirements of economic valuations driven by future, estimated cash flows.

With this subledger, you can more easily generate multiple valuations and apply financial steering methods based on SAP HANA. You can also automate and control processes in a simple, effective way to realize the benefits of financial transformation. For example, you can:

• Manage increasing regulatory complexity by easily incorporating new valuations and reporting standards (such as IFRS and U.S. GAAP) on an ongoing basis
• Reduce reporting efforts by generating multiple financial valuations simultaneously
• Cut the time spent on operational tasks and controls while increasing the capacity for analytics
• Effectively steer the allocation of financial resources
• Simplify compliance and reduce its associated costs

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The solution ships with preconfigured, end-to-end content for IFRS 9, U.S. GAAP, and IFRS 17 (both primary and reinsurance), which vastly accelerates your implementation projects.

All measurement approaches of the new IFRS 17 are readily supported for primary and reinsurance companies. As the figure shows, multi-GAAP concepts can be implemented to produce data for advanced analytics and reporting, delivering critical insights needed to steer the business.

Paving the way for true financial transformation

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Subledger accounting for financial instruments

Subledger accounting for insurance contracts

**Figure 2: Comprehensive Multi-GAAP Solution for All Financial Products**
Realize the benefits

With an integrated subledger solution for financial instruments and insurance contracts that centralizes all accounting rules, you can now bridge the gap between your transactional systems and your finance applications. This enables you to:

- Acquire instant financial insights at any level of detail, including drill-down capabilities that facilitate timely, relevant decisions
- Reduce IT complexity by centralizing all accounting logic in one intuitive rules engine and streamline the accounting process using a structured model
- Gain full data lineage transparency over accounting processes with GL-balance substantiation based on instrument-level detail
- Accelerate implementation and adapt to changing regulations by using preconfigured content and leveraging extensibility by design
- Simplify the reporting process and vastly accelerate reporting cycles – all while empowering business users to define their own reports and access data in real time

Centrally manage data between operational and finance systems while streamlining accounting flows and gaining full transparency and control.
Summary
The SAP S/4HANA® solution for financial products subledger is a comprehensive subledger for banks, insurance and reinsurance companies, and financial technology companies. The subledger runs on a highly simplified core and is designed for large data volumes. Combining financial and cost accounting, it allows you to produce multiple reconciled valuations for financial products with ease.

Objectives
• Facilitate finance transformation by reducing redundancy, improving data flows, cleaning up data, simplifying work using automation, and decreasing the number of system interfaces
• Reduce the cost of finance and compliance processes
• Easily adapt to new regulatory and accounting standards

Solution
• Subledger for financial instruments and insurance contracts
• Integration with general ledger in SAP S/4HANA
• Comprehensive accounting functionality
• Data volume management for optimized performance and scalability
• Templates for standards such as the International Financial Reporting Standard and U.S. GAAP

Benefits
• Instant financial insights at any level of detail
• Reduced IT complexity, centralizing accounting logic in one rules engine
• Full data lineage transparency over accounting processes
• Easy adaptation to changing regulations
• Simplified reporting processes

Learn more
Call your SAP representative today or visit us online for more information about SAP S/4HANA for financial products subledger and our solutions for the insurance and banking industries.