

## CLEARING THE WAY FOR SETTLEMENT

Developing a Next Generation Clearing & Settlement Platform for an Investment Bank



### INDUSTRY LANDSCAPE

The global financial crisis accentuated the pressure on the investment banking industry to cut costs and improve operational efficiencies across all functions. Process improvements and enhanced controls are the order of the day, especially in the clearing & settlement (C&S) operations landscape. Banks are being compelled by internal and external forces to re-evaluate their post-trade functions in order to keep pace with changing times.

### CLIENT BACKGROUND

The client is a leading global financial institution providing investment banking, asset management and wealth management services for private, corporate and institutional clients.

### THE OPPORTUNITY

The customer had operated the legacy C&S system for more than five years, which was proving inadequate in handling the growing demands made by the global investment banking industry. The bank had several challenges that include:

- High maintenance costs and its ability to handle increasing volumes at a reasonable cost
- Technology risk in terms of age of code, proprietary technologies and reduce space database size
- Tactical changes that had been carried out to support operational requirements without consideration of optimum processing
- Inability to efficiently handle the rapidly changing market dynamics

Wipro perceived the opportunity to replace the customer's legacy C&S system and replace it with a next generation platform that could effectively address their business needs and challenges. The contemporary system needed to support a differentiated C&S function with a focus on the basic tenets of managing risk and delivering superior customer service in the most cost efficient way.

Wipro's new platform provided the client with the ability to handle more than a million trades per day with processing accuracy levels in the range of 99%

## SOLUTION

Wipro engaged with the client to deliver a solution adopting the 'Agile' Methodology, using an offshore-onshore model. Wipro associates worked from various locations including London, Hong Kong and India to create the next generation C&S platform, which included components like confirmations, settlement, sub-ledger, transaction reporting, MIS and efficient controls and exception management features.

The processes were optimized using six sigma methodologies while migrating from the legacy system. Additionally, the solution was designed to support the latest developments in the C&S landscape like Omgeo CTM (Central Trade Manager) for client confirmations or Swift Accord for market side matching and the various multilateral trading facilities / central counter parties in Europe.

## BUSINESS IMPACT

The new C&S platform replaced the existing mix of manual and automated processes with an STP solution that could handle more than a million trades per day. The real-time control mechanisms allowed potential risks to be highlighted almost instantaneously while the rules related to prioritizing exceptions increased risk visibility of the bank. Other benefits include:

- Increased capacity to handle transactions (more than a million trades / day)
- Improved time-to-market to manage changing market requirements. For instance, a new MTF can be added in around 1-2 months
- Increased processing accuracy leading to less manual intervention by Operations (accuracy of close to 99% for transaction reporting to FSA)
- Enabled transparency in processes by ensuring that operations can view the messages related to confirmations, settlement instructions, transaction reports, etc., being sent to the market

## ENGAGEMENT HIGHLIGHTS

- Ensuring a high degree of automation from trade capture to settlement using Straight Through Processing (STP)
- Increasing agility and flexibility to take advantage of new business opportunities
- Separating local market interfaces / gateways from the core settlement solution, ensuring minimal impact of changes that may occur to the external landscape
- Setting up a single user interface for exceptions management with automatic prioritization / allocation features and real-time reconciliations to obviate intraday event risks
- Improving visibility of in-flight and past transactions with effective trails and MIS

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