

SETTLING FOR THE BEST

Wipro played a key part in strengthening a global investment bank's clearing and settlement systems with robust applications and business process management



INDUSTRY LANDSCAPE

For every trade executed in a stock exchange or an over the counter (OTC) market, a number of stages have to be followed to achieve a quick and seamless transfer of value between the seller and buyer. In disparate markets, where multiple exchanges exist, the same security may trade at different values due to inherent market inefficiencies and inequalities.

In such set-ups, the prerogative lies with the holder of the securities (in this case the asset management arm of the investment bank) to match different buy/sell orders and simultaneously ensure effective reconciliations between the physically held securities and the daily trades conducted on different exchanges. These procedures may vary widely between geographic markets and even in the way different securities are traded within a market. Hence, trade clearing and settlement systems assume key significance in any trading ecosystem.

The asset servicing arm of investment banks in particular attaches critical significance to robust settlement systems since they are constantly grappling with the challenge of matching buy and sell orders that come from different brokers from different destinations. Once a trade is matched and a trade ID is given, it is incumbent on the investment bank to ensure a seamless clearing and settlement of the trade.

CLIENT BACKGROUND

Wipro's client is one of the largest asset servicing companies in the world, handling nearly one in nine trade settlements that happen across global markets. The company is widely recognized for the global trading, custody and settlement systems that it provides to institutional investors, traditional and alternative funds managers, and private clients. Overall, the company has a presence in over 50 countries and provides investment banking, asset management, and wealth management services for private, corporate, and institutional clients worldwide.

THE OPPORTUNITY

In gearing up to meet the new compliance challenges and market expectations, the client sought to automate its clearing and settlement systems through an infusion of modern technologies and the use of new applications, requiring large scale application development. Further, to ensure that the automated systems were well managed, the client also required robust process management, supported by an external BPO service provider.

The client featured in the "Most Improved Section" of the Z/Yen McLagan Survey for having improved its ranking from 13 in 2009 to 7 in 2010 for EMEA fixed income

SOLUTION

Wipro has played a key role in building the applications for automating the client's clearing and settlement systems, and managing the processes. To develop the applications, Wipro leveraged its inherent capabilities in the middle office & trade support, pre-settlement, post-settlement, MIS & controls, and purchase & sales processes.

The key challenges in developing the settlement applications included:

- Unavailability of historical data
- Unavailability of documentation or standard operating procedures
- Absence of process training by subject matter experts (SMEs)
- Manual processing of cash management reports
- Manual confirmation of trades
- Conflicting market deadlines
- Changing regulatory requirements

Wipro ensured the below measures were in place to address these challenges:

- Data collection for benchmarking purposes
- An onshore team was deployed to set up SOPs after training
- All new scenarios were validated by SMEs, supported by a proper escalation matrix
- Different teams were aligned to geographies with close market deadlines
- Regular training sessions conducted for a week to train 175 FTEs on new regulations

BUSINESS IMPACT

Wipro's engagement resulted in:

- Enhanced reporting around the client's control metrics both in summary and in detail
- Successful setting of new benchmarks for high value trades - from over 30 days outstanding to over 7 days, and now 0 days
- Capacity base-lining across the clearing & settlement processes
- Improved risk and control governance through the awareness program and process controls

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ENGAGEMENT HIGHLIGHTS

- By developing settlement applications for this global major, and by providing BPO services, Wipro is integrally involved in one out of nine trade order settlements globally.
- The project was delivered over a 5-year period and Wipro is still handling significant tranches of work for the client.

About Wipro Ltd.

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